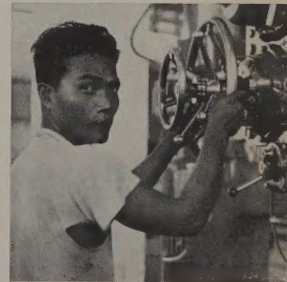
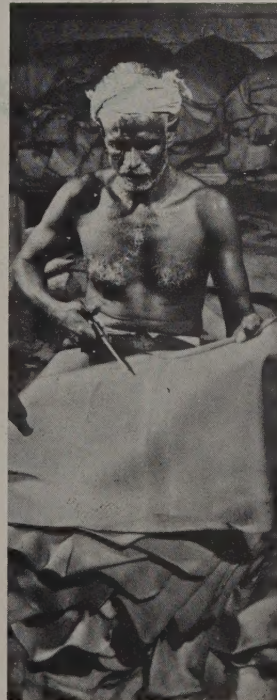
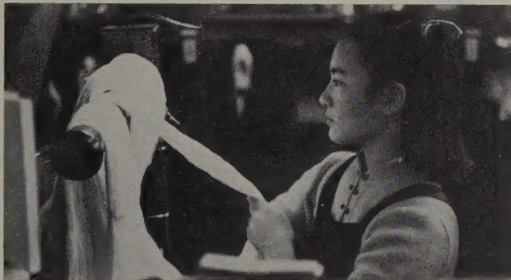


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foreign trade



THE FAR EAST IN 1958 (pages 2-30)

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COVER

The montage presents workers in four Far Eastern countries engaged in typical tasks. (Upper left) a Japanese girl inspects yarn made from chemical fibres; (lower left) a Filipino carries on the ancient potter's craft, working with the traditional wheel; (centre) a Tamil packer on a Malayan rubber estate prepares sheet rubber for compressing into bales; (lower right) in a newly built railway workshop in Bangkok, a young Thai operates a drilling machine. To find out how these four countries and eleven others in the Far East fared during 1958, see the reports on pages 2 to 30.



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Canada's Trade with the Far East

Canadian exports affected by general decline in trade, but months ahead should bring improved sales. Japan remains our leading Oriental market; Mainland China has moved up into third place, displacing Hong Kong.

W. D. WALLACE, Area Trade Officer for Asia.

THE Far East did not escape the economic effects of the 1958 recession. It was reflected in the decreased value of Canada's foreign trade with the countries in that area, which was in keeping with a general decline in the region's trade. Canadian exports to the Far East fell and so, to a lesser degree, did our imports from that region. Canada's exports to the Far East for 1958 reached \$145.8 million, or 20.8 per cent below the 1957 record value of \$183 million. Imports for the year, based on nine months, are placed at \$98 million, about 8.5 per cent below the 1957 total of \$107 million.

The table on page 3 confirms that Japan continues to dominate our trade with the Far East, taking 70.5 per cent of Canadian exports to and supplying 63 per cent of our imports from these countries. The Philippines remains the second most important market but Mainland China has moved into third position, replacing Hong Kong which is now fourth; Korea comes fifth. On the import side, the Federation of Malaya and Singapore are, after Japan, the chief sources of supply, followed by Hong Kong and Mainland China.

During the past year the pattern of Canada's exports to the Far East remained unchanged. The major

exports by value included wheat, barley, flaxseed, rapeseed, flour, iron ore and products, metals, asbestos fibres, pulp and paper, aluminum and fertilizers. The area provides a market for a wide range of other products, such as outboard motors, motor vehicles and parts, and other consumer goods, but their total export value is relatively small when compared with the major export products mentioned above.

A brief survey of trade with the various countries is given in the following paragraphs.

BRITISH BORNEO—The three British colonies of Sarawak, North Borneo, and Brunei offer a very small outlet for Canadian products. The best approach to these markets—which buy mainly machinery, gas engines, and canned foods—is through agents in Singapore who handle most of the trade. Recent relaxation of dollar import restrictions should mean some opportunity for increased imports from Canada into Sarawak and North Borneo.

BURMA—There was some improvement in Canada's exports to Burma in 1958, mainly as a result of increased foreign aid to the Burmese. Limited foreign exchange restricts the market possibilities.

However, the Burmese financial reserves are expected to improve in 1958 and this should lead ultimately to some increase in imports.

HONG KONG—Canada's sales to Hong Kong during 1958 fell, the result mainly of a decrease in the demand for raw materials. The colony remains an important entrepôt centre for many countries in the Far East and thus offers a considerable market for various types of manufactured goods. Hong Kong has become more price-conscious and it is important to consider this in offering products in this market. The best prospects are for raw materials, semi-processed goods, some foods, and certain consumer goods.

INDONESIA—The economy of Indonesia is making a slow recovery from the political and economic setbacks of 1957 and early 1958. Canada's imports from Indonesia were drastically reduced in 1958 but our exports remained at the same level because of increased shipments of motor vehicles, aircraft and outboard motors. Rigid controls over imports remain in effect but with the improvement in foreign exchange earnings, there are some prospects for increased trade with Indonesia in 1959.

JAPAN—Canada's trade with Japan in 1958 reflects the austere import program that Japan adopted in the latter part of 1957 in an effort to halt the decline in foreign exchange reserves. A successful economic adjustment and improved business conditions have brightened the outlook for increased trade in 1959. Although Canada's exports to Japan declined 24.6 per cent, imports into Canada were slightly above those of 1957. Shipments to Japan for 1958 are placed at \$104.9 million compared with \$139 million in the previous year. Most products shared in the sales decline but shipments of wheat, rapeseed, iron ore, copper, and nickel matte increased. Canada's imports from Japan may

reach \$63 million as against \$61.6 million in 1957. The principal ones include textiles, toys, plywood, cutlery, oranges, and canned fish.

MAINLAND CHINA—During 1958 Canada's exports to Mainland China increased significantly, because of substantial sales of wheat, metals, and scientific equipment. Unlike the two previous years, there were no sales of fertilizers, acids, and pulp and paper. On the other hand, imports from China fell below the 1956 and 1957 figures. Receipts of walnuts, peanuts, furskins, carpets and bristles declined and those of paint brushes, linens, textiles, and menthol increased. Although there are indications that China has made further advances in industrialization and will require more raw materials and some industrial equipment, imports will be limited by the amount of foreign exchange that she earns from exports. The Soviet bloc countries supply the bulk (some 75 per cent) of China's imports. The chief western sources of supply are the United Kingdom, West Germany, and France. It is difficult to assess the market requirements for Canadian products, but there should be further opportunities to develop increased business if Canadian exporters can make offers at competitive prices.

THE PHILIPPINES—In 1958 Canada's exports to the Philippines decreased. Nevertheless, it remained our second largest market in the Far East, with its purchases of flour, newsprint paper and machinery. There is a trend towards switching import business into the hands of Philippine national firms and this could affect a number of Canadian agency arrangements. Declining foreign exchange reserves and stricter import controls, plus increased competition from Europe and Japan, may make this market more difficult. Best prospects are for the sale of basic foodstuffs, raw materials and machinery.

SINGAPORE AND MALAYA—Singapore and the Federation of Malaya form one of the wealthiest areas in South East Asia; their economies are based mainly on production and exports of rubber and tin and, to a lesser degree, on earnings from entrepôt trade. They offer a market for a wide variety of Canadian products—including flour, paper, asbestos, automobiles and parts, outboard motors and various consumer goods—but they are perhaps even more important to Canada as a source of rubber, tin, palm oil, and pepper. The decline in returns from sales of rubber and tin affected the economy of Singapore

and the Federation of Malaya adversely during 1958 and this is reflected in a reduction in Canada's foreign trade with the area. As a result of the action taken in December 1958 to relax the restrictions on the import of a number of commodities from the dollar area, the opportunities for increasing sales to these countries in 1959 appear good. In addition, both Singapore and the Federation of Malaya are encouraging the development of new industries which, in turn, should provide Canada with a growing market for a number of raw materials and semi-processed goods.

SOUTH KOREA—The economy of South Korea depends to a large extent on foreign aid, particularly from the United States. During 1958 the amount of this aid declined and it is expected that it will gradually be reduced further over the next few years. Canada's trade with South Korea was smaller in the past year but there is still a limited market for fertilizers, wood pulp, lumber, steel sheets and newsprint.

SOUTH VIETNAM, CAMBODIA, LAOS—There was little if any improvement in economic conditions in these three countries (formerly Indo-China) and foreign aid continues to play an important part. A reduction in aid in 1958 as well as the fact that aid funds could not be used to bring in processed milk, outboard motors and motor vehicles, brought about a large decline in Canada's exports to the area. These markets are best approached through exclusive representatives in the region who can take advantage of foreign-aid opportunities to import machinery, raw materials and semi-processed goods.

***TAIWAN**—Japan and the United States dominate the trade of Taiwan. Canadian exports to this

**Taiwan was recently transferred to the territory of the Manila office and the report was therefore delayed. It will appear in an early issue—Editor.*

CANADIAN TRADE WITH THE FAR EAST

	Exports to				Imports from			
	1955	1956	1957	1958	1955	1956	1957	9 mos. 1958
	(in thousands of dollars)							
Japan	90,893	127,870	139,152	104,891	36,718	60,826	61,605	47,483
Philippines	18,136	18,060	17,540	14,088	2,027	2,467	3,976	1,937
South Korea	7,514	2,864	7,302	4,308	480	8	35	23
Hong Kong	7,253	7,026	7,595	6,054	5,875	5,699	7,223	6,064
Malaya and Singapore	3,421	3,914	3,316	3,233	28,810	28,558	27,356	14,125
Thailand	2,431	1,936	2,046	1,294	1,142	1,103	630	478
Indonesia	944	1,243	1,633	1,695	1,001	1,143	965	182
Mainland China	1,016	2,427	1,392	7,809	3,125	5,721	5,304	3,580
Taiwan	1,227	751	1,648	1,167	155	112	193	64
Indo-China	337	546	1,020	266	172	16	7	4
British Borneo	53	127	187	113	71	122	120	42
Burma	480	288	244	957	7	1	9	78
TOTAL	133,615	167,052	183,075	145,875	79,583	105,776	107,423	74,060

FEBRUARY 28, 1959

market in 1958 are estimated at \$1.2 million compared with \$1.6 million in 1957. Gains in shipments of drugs and chemicals, zinc spelter, milk powder, dry salted herring and whisky were more than offset by a decrease in sales of malt, wood pulp, aluminum, electrical apparatus, and asbestos fibres. Canada's imports

from Taiwan are not large and consist mainly of black tea and oranges. Taiwan has announced that, commencing March 31, exporters who wish to participate in government orders will be required to submit their tenders to the China Trust Company through local agents in Taiwan.

THAILAND—This is a price-conscious rather than a quality-conscious market. Canada's exports to Thailand decreased in 1958, with shipments of flour, newsprint, and asbestos fibres well below the 1957 levels. Greater foreign aid should offer new opportunities for heavy electrical equipment.

British Borneo

Relaxation of restrictions on dollar goods, recently announced, will improve sales prospects in these territories, usually served by Singapore agents.

M. P. CARSON, *Trade Commissioner, Singapore.*

Sarawak

EARLY in January the Government of Sarawak announced that dollar imports will be liberalized to the same extent as in the United Kingdom. In announcing the broad general principle of relaxation, the Government stated that a wide range of foodstuffs, raw materials, fuels, lubricants, chemicals, manufactured goods, machinery, transport equipment and tools from dollar sources would be placed on Open General Licence. This means Canadian goods are free to compete with those from all other countries. The detailed list, to be published as soon as it is completed, is said to be a long one.

There will still be a range of non-essential and luxury goods import of which from dollar countries cannot be liberalized. These include dried and canned fruit and vegetables, food preparations, air conditioners, domestic appliances and certain types of vehicles. These will require import licences as in the past.

Trade Less Active

Sarawak had a favourable balance of trade of Can.*-\$6.7 million in the first eleven months of 1958, compared with \$11.5 million in the corresponding period of 1957. Exports, valued at \$137.9 million for the first eleven months of 1958, were down 10 per cent from 1957 because shipments of rubber, pepper and crude oil decreased, the result of recession throughout South East Asia during 1958. Imports, at \$131.3 million for the eleven months, dropped 8 per cent

from the previous year. Products principally affected included manufactured goods, machinery and transport equipment.

Development Program

Sarawak's current development program calls for expenditures of \$35 million from 1957 to 1960 and if present conditions continue, it is expected to be carried out in full. Better communications (especially more roads) is the most urgent need in this small country. Agriculture, fisheries, forests and radio broadcasting will also benefit under this program.

Pepper and Rubber

Sarawak is noted for its high-quality pepper but in recent years pepper disease has plagued the industry. Research has played an important part in combatting this and advice on how to avoid it is now available to growers. The hope is that strains of pepper resistant to the disease can be developed and research on this continues.

Over nine million clonal rubber seeds were imported from Malaya in 1958 and grown in Sarawak nurseries and replanting is going forward. Target for this has been raised from 40,000 to 60,000 acres as the result of a new levy on rubber exports. In addition, the Government has announced a scheme to develop 10,000 acres for growing coconuts to be sold in the form of copra.

North Borneo

AT the end of 1958, the Government of the Colony of North Borneo published the "Open General Licence (Imports-Dollar Area) 1958" order which came into force on January 1, 1959. The list includes some 350 items broken down by North Borneo classifications.

*All values in Canadian dollars.

Principal products likely to be of interest to Canadian exporters are:

Canned salmon
Wheat flour
Sodium nitrate fertilizer
Crude potash salts
Soaps and cleansing preparations
Nitrogenous fertilizers
Superphosphate fertilizers
Other fertilizers
Synthetic plastic materials
Machinery belting
Laminated wallboard
Steam boilers
Marine diesel engines
Petrol and kerosene inboards and outboards
Engines, n.e.s.
Lawn mowers
Industrial trucks
Earth scrapers, graders, etc.
Sawmilling machinery
Batteries

Agricultural implements and parts
Newsprint
Printing and writing papers
Wrapping papers
Paperboard
Steel and wire products
Steel pipe
Aluminum plate, sheet, wire, etc.
Cable
Agricultural hand tools
Mechanics' hand tools
Dairy equipment
Tractors, wheeled or track
Typewriters
Office machinery
Mining machinery
Woodworking machinery
Machinery—general

Agriculture and Trade

The development of cocoa trees and of oil palms is receiving emphasis. An expert recently reported convincing evidence that these would grow as well in North Borneo as in most countries where they are now established. The Borneo Abaca Co. Ltd., an associate of the British Colonial Development Corporation, has 500 acres of experimental cocoa under production and is also germinating seeds for planting 5,000 acres of oil palms in the near future.

External Trade

North Borneo's external trade was not seriously affected by the recession common in South East Asia last year. Exports for the first nine months of 1958 increased by about 7 per cent to \$32.2 million. Imports also rose by about the same percentage to \$31.6 million, making possible a small favourable balance of trade.

Canadian trade with North Borneo is small and is usually channelled through Singapore. Canadian imports from North Borneo consist principally of rubber.

Brunei

THE small Sultanate of Brunei is wealthy in comparison with its neighbours, principally because of its position in the Commonwealth as a producer of oil second only to Canada. Year after year it has a budget surplus. In 1959, for example, the Government's revenue is expected to total about \$42.3 million and expenditures about \$25.3 million, leaving an estimated surplus of about \$17 million, as against an estimated 1958 surplus of \$26.7 million.

The 500th oil well has been sunk at the rich Seria field. Three hundred are now in production, with an



Exports of pepper from Sarawak have been falling, because pepper disease has attacked the trees. Researchers are hoping soon to develop a strain that will resist this type of infection.

output of approximately 5.5 million tons. Most of British Borneo's estimated 300 million barrels of oil reserves are concentrated in Brunei.

The five-year development program for the period 1953-1958 was successfully carried out. It has been suggested that Brunei have a deepsea port in order to attract some secondary industry. For some years now the establishment of chemical and fertilizer manufacturing industries near the oilfields to use surplus gases, etc., has been studied but action deferred because of the lack of a port to handle large oceangoing vessels.

The Canadian Position

The three small countries—Sarawak, North Borneo and Brunei—have a total population of just over one million and the standard of living is comparatively low. The people are principally farmers with simple needs and consequently the market for Canadian goods is limited.

A number of Chinese traders in the Borneo territories are interested in direct agency arrangements, but it is doubtful whether Canadian exporters would find them useful. Most Canadian firms with products saleable in South East Asia are advised to make good distribution arrangements in the Federation of Malaya and in Singapore. Principal trading firms in Singapore either have branches in these three countries or are associated with local firms. Shipping service from Singapore is regular, rapid and efficient.

The relaxation on dollar restrictions in this area will mean improved prospects for Canadian suppliers. Their Singapore agents should take advantage of all opportunities to trade with British Borneo. ●

Burma

Many imports freed from control recently, but small exchange reserves limit dollar purchases. Canadians may be able to sell to Burmese Government under tender.

M. P. CARSON, *Trade Commissioner, Singapore.*

BURMA experienced some political unrest in 1958 until power was peacefully handed over to General Ne Win as Prime Minister on October 28. The new Prime Minister appointed a government consisting mainly of senior judges and civil servants, and its policy is to put Burma's house in order and to work for greater economic stability. The industrial development program will be reviewed and perhaps halted until Burmese resources can be consolidated and the agricultural base of the economy broadened.

At the end of 1957, the adverse balance of payments had reduced foreign exchange reserves to US\$106 million. By October of 1958, restrictive measures, coupled with the improvement in rice exports, brought an increase to about US\$140 million. In the first ten months of last year, 1.3 million tons of rice went to foreign buyers. Rice lands destroyed during the war are being successfully reclaimed and secondary and tertiary cropping of high-quality jute and of peanuts augurs well for the future.

Base-metal production fell off last year, but timber extraction and sales improved slightly. The slowdown in industrial development meant that no new plants of any size were built during 1958.

Dollar Countries on Same Footing

On January 2, 1959, the Director of Imports and Exports of the Union of Burma Government withdrew all existing Open General Licences for imports and issued new O.G.L. lists covering a rather limited field of imports. The significant feature for Canadian exporters is that this change permits the free import into Burma without licences of these products from any country in the world.

After the announcement of limited convertibility of sterling in London in December, the Burmese Government moved quickly to do away with American and Canadian account sterling. This policy of non-discrimination is important to Canadian exporters, even though trading conditions may be difficult in Burma for some time to come. Another welcome change from previous O.G.L. regulations is that payment can be arranged on sight draft, letter of credit or a deferred basis. Formerly only letter of credit terms were allowed and the exchange control authorities tended to hold up

applications. This limited the effectiveness of the O.G.L. system.

The following products of interest to Canadian exporters are now on Open General Licence: agricultural implements; spare parts for boilers and boiler accessories; vegetable and flower seeds for gardening, excluding oilseeds; printed forms, loose or bound, intended for the use of importers; printers' ink; all sorts of mineral oils not elsewhere specified; kerosene, grease and lubricating oils, motor spirit, including aviation spirit; mineral oil; petrolatum; plastic moulding powder and pellets; gums and rosins, including resin; strained baby foods and milk foods for infants, excluding condensed, preserved or powdered milk; empty glass bottles or corks, excluding crown corks; fishing nets and twines; feeding bottles, teats and valves for feeding bottles; feeding bottle brushes and baby soothers; educational and instructional toys.

Import of Other Goods

As mentioned earlier, in recent months the number of licences allowed for goods not on previous O.G.L. has decreased sharply and significant shortages of consumer goods, industrial raw materials and capital goods have developed; domestic prices have risen as a result. When the Government grants licences for certain types of goods, licences go to each importer according to the classification of the firm as registered with the Directorate of Imports and Exports. In future, because there will be no distinction made between American account and sterling account countries, purchasing can be done globally without discrimination.



—UN Photo
This Burmese farmer (left) has brought his rice into a local depot of the State Agricultural Marketing Board, where it is weighed and valued. Rice production and exports have been rising in recent years, thanks to land reclamation projects.

The increase in Burma's foreign exchange reserves should mean that licences for certain types of consumer goods, particularly, will be approved to alleviate shortages.

Joint Venture Corporations

In addition to a large number of classified firms registered as importers in Burma, there are eleven "Union of Burma Joint Venture Corporations Limited". These are jointly operated by the Government and private firms. Joint Ventures numbers 1 and 7 were set up to import industrial equipment for general distribution throughout the country. The other nine corporations deal in textiles, foodstuffs, building materials and hardware. Joint Ventures numbers 8, 9, 10 and 11 cover the requirements of specific areas: the Shan States, Upper Burma, the Tenasserim Division and the Arakan Division. The other five look after general imports into the Rangoon area.

The Joint Venture Corporations Limited come under the Directorate of Imports and Exports for the issuance of licences when the time is appropriate, as do registered importers. The corporations too will be free to import from all sources in future.

Union of Burma Purchase Board

This central purchasing agent for all government ministries and departments does not come under the Directorate of Imports and Exports. The Board puts out various tenders from time to time as needs arise in government departments. In the past, however, dollar purchasing has been restricted. The Directorate of Imports and Exports recently advised that the Union of Burma Purchase Board will now be able to buy from the best sources on a global basis.

Implications for Exporters

The O.G.L. list above is not a comprehensive one but the relaxation in currency restrictions does mean that Canadian exporters with competitive products will find their offers creating more interest among Burmese importers. Given the present foreign exchange position, one cannot expect a great influx of goods into Burma and indeed the authorities have announced that they will continue to scrutinize needs carefully before issuing licences for goods not on O.G.L. lists. Any immediate relaxation will probably cover inexpensive textiles, food products and low-cost consumer goods to relieve rising prices and the increasing cost of living.

In recent years, Canadian exports to Burma have been small; in eleven months of 1958, they totalled \$437 thousand and imports from Burma under \$100 thousand. A Canadian producer of tractors tendered successfully on an order for these for use in a land reclamation and timber-mechanization project and this has doubled our exports in the past year. Some Cana-

dian shipments are going forward under ICA loans or grants to Burma.

It will be worthwhile for Canadian firms to watch developments in Burma under these new trading regulations because there are prospects of doing some business, though perhaps in a small way. Tenders will be sent to interested Canadian firms and also to the Department of Trade and Commerce in Ottawa as they become available.

The Outlook

The outlook for the 1959 rice crop appears to be favourable and at least two million tons should be available for export in 1959 compared with 1.3 million in 1958. This would mean one of the most satisfactory years since the end of World War II and even if prices decrease, Burma should receive a reasonable revenue. Reports of heavy rice crops in other South East Asian countries may make marketing more difficult and prices competitive, but the prospects are satisfactory. The better financial reserves should mean that increased imports will be allowed in 1959; this will result in a more brisk and more interesting market. ●

Cambodia

Purchases abroad have slowed down and import controls have been tightened. But Canadians should consider Cambodia as a potential market for some products, especially those financed under the ICA program.

W. M. MINER,

Assistant Trade Commissioner, Hong Kong.

HIGHER imports, a relatively steady export trade, and a continuing deficit in external trade highlighted the 1958 economic picture in Cambodia. Import regulations were tightened in some cases and trade with nearby countries, particularly Mainland China, increased. The domestic market was not strong during the year and there appears to be little prospect of an early improvement.

Exchange Position Strong

Like the territories surrounding it, Cambodia is largely agricultural but it is also comparatively prosperous. Production of rice and rubber is substantial and these two crops provide the principal exports. Industry is limited in scope and mainly devoted to processing agricultural crops. The substantial forest resources are not exploited to any degree but some

efforts are being made in this direction. Fishing is fairly extensive.

Cambodia receives substantial grants of foreign aid from a number of sources, including the United States, France, Mainland China, Japan and the U.S.S.R. This assistance takes the form of both project and commodity aid. United States aid funds are available for purchases under the ICA program and it is primarily here that Canadian exporters will find opportunities.

Foreign aid, coupled with export earnings and substantial holdings of French francs, places Cambodia in a relatively strong exchange position. The Government formerly had a fairly liberal import policy and a reasonably wide range of goods was allowed into the country. However, towards the end of last May, more stringent regulations went into effect to reduce the growing trade deficit by cutting down imports of non-essentials. In addition, depressed market conditions reduced purchases abroad.

Trade Pattern Changes

Trade statistics for 1958 are not yet available but official figures for 1957 show that imports in that year reached 2,042.9 million riels and exports 1,810.7 million riels (official exchange rate 35 riels=one U.S. dollar). Although this left a deficit in the trading account, it was an improvement over 1956 because of larger exports. During the first seven months of last year, imports rose above the corresponding period of 1957 to 1,750.7 million riels. Exports were down slightly, however, and measures were taken to overcome the growing trade deficit.

Some changes in Cambodia's import pattern appeared during the first half of last year. Purchases from dollar countries, Japan, Mainland China and the Western European countries were substantially higher; those from the sterling area and South Vietnam remained steady. Imports from Hong Kong fell, reflecting to some degree the tendency of Mainland China to ship direct. There has been a general shift away from trade with France in favour of the United States, Japan and other countries.

Cambodia's principal imports are textiles, machinery, metals and metal products, construction materials, petroleum products, foods, paper and paper products. In general, Canadians can compete most successfully for imports financed with exchange provided under the ICA program. Best prospects appear to lie in sales of metals, fertilizers, paper, sawmill equipment, chemicals, machinery and motors.

Future Outlook

Domestic business continues to be slow; most merchants take a cautious attitude toward expansion. This market, in common with others in South East Asia, is becoming increasingly competitive. Nevertheless, Canadian exporters should not overlook its potential, particularly for goods bought with ICA funds. ●

Hong Kong

Colony weathered business slowdown in South East Asia well; exports held the line but imports fell. Canadian sales, like those of the U.S. and U.K., declined but Canada is taking greater part in Hong Kong's commercial life.

W. M. MINER,

Assistant Trade Commissioner, Hong Kong.

THE Hong Kong economy showed a good deal of resilience throughout 1958, despite a general decline in total trade and some depression in certain industries. A number of new industrial developments, plus a continued high rate of building and an aggressive export approach by merchants and Government, helped to moderate the effect of the recession. However, total exports declined, some tourist traffic was lost because of the less stable political situation, and re-export trade continued to languish. The local market became more competitive and Mainland China's activity in most South East Asian markets aggravated this situation. On the credit side, exports of locally manufactured products went on expanding, giving evidence of the strength of many Hong Kong industries. Over-all, 1958 was not a disappointing year because the decline that the commercial community expected was in many ways less severe than it had feared.

Total Trade Down

Hong Kong ended 1958 with a merchandise trade lower in value than in 1957, but most of the decline was in imports. Imports of merchandise reached approximately Can.\$766 million, a fall of about 10 per cent from 1957. Exports stood up remarkably well, reaching some Can.\$498 million, or about 1 per cent below the previous year. The large deficit in the merchandise account was covered by invisible earnings from tourists, banking, shipping and other trade services.

The decline in imports resulted largely from a smaller demand for industrial raw materials and equipment; local industries and processors tended to live off inventories and merchants cut their buying for future accounts. Imports of the following types of goods were particularly affected:

Textiles, fibres and piecegoods	Base metals
Wood and lumber	Fabrics
Ores and metal scrap	Watches and clocks
Animal and vegetable oils	Photographic and optical goods
Newsprint, paper and paperboard	Inedible animal and vegetable materials

The reduction in transshipment trade, which is estimated to have fallen by 13 per cent over the year, was

partly responsible for this drop. Hong Kong imported larger amounts of foods and some other consumer goods. Purchases of most chemicals remained strong, thanks to the firm demand for fertilizers and explosives in offshore markets.

How Canada Fared

Canada's trade with Hong Kong during 1958 reflected the general trend. As the following table reveals, our sales fell by about 15 per cent compared with the over-all drop of approximately 10 per cent.

PRINCIPAL CANADIAN EXPORTS TO HONG KONG

	11 Months		
	1958	1957	1956
	(thousands of Canadian dollars)		
Plastic raw materials	\$1,523	\$1,829	\$1,487
Primary aluminum	1,017	754	520
Wheat flour	729	922	1,203
Wheat	301	293	760
Fine nickel	259	55	17
Medicinal roots, herbs and barks	217	297	155
Passenger automobiles	184	530	373
Motion picture film	139	150	94
Steel plates, sheets, strips	131	152	265
Medicinal preparations	118	157	193
Cameras	106	179	15
Gas engines and parts	66	139	53
Newsprint paper	64	269	86
Fountain pens and sets	56	415	529
Douglas fir planks and boards	49	127	93
TOTAL	5,646	7,595	7,026

Source: Dominion Bureau of Statistics.

Canadian exporters were affected particularly by a softening in the markets for raw materials and semi-processed goods, the lowering of inventories, and the increasing competition from other exporting countries. There were some bright spots—notably aluminum, wheat and nickel. (The latter was largely transhipped to China.) Price is becoming more and more important in this market and prospects seem best for raw materials and semi-processed goods, some foods, and certain consumer products. It is a difficult time to enter this market, as most exporters must work hard to maintain their position.

Most other supplying countries saw their sales decline, with the exception of Mainland China which remained Hong Kong's principal source of imports and increased its shipments by 23 per cent. The other large suppliers were the United States and the United Kingdom but their exports fell by some 20 per cent each. India, Pakistan, Thailand, Japan and many European countries had the same experience of sales losses.

Exports Hold Up Well

Hong Kong's sales abroad remained particularly strong last year. Total merchandise exports fell slightly, but 1957 was a good selling year on the whole and con-



The cutting room in a Hong Kong garment factory—one of the many that have been established in the Colony, where labour, both skilled and unskilled, is never hard to find.

sequently the ability of the Colony to maintain this high level indicates the strength of its growing industries. Sales to the United States rose substantially and it is not surprising that exporters are turning their attention more and more to that market. Mainland China remained Hong Kong's biggest customer but this reflects the Colony's position as a transshipment point rather than her ability to sell locally manufactured goods to the Chinese. Other countries buying considerably more from Hong Kong than in 1957 were Australia, Malaya, the United Kingdom, Thailand and Germany. Sales to Indonesia, Japan and most markets in Africa declined substantially.

Sales to Canada rose in value by almost 25 per cent over the previous year, with the result that Hong Kong enjoyed a favourable balance in trade with us for the first time in recent years. Interest in Canada as a market is high and many new products are finding their way to Canadian consumers.

Canadian Participation

A number of developments in Hong Kong last year were of interest to Canadians. A new passenger-liner service was organized which will call at Vancouver and Hong Kong. Aircraft maintenance facilities were expanded and a Canadian company has already made use of these services for machine overhaul. A licence was granted for a new commercial broadcasting outlet and a Canadian company supplied the transmitters. A branch of an additional bank was opened and two other banks established offices; one was the first Canadian bank to come to this city. The new runway at the civil airport was completed and the number of Canadian travellers visiting Hong Kong went up. In fact, the

number of business visitors registered with the trade office has more than doubled since 1956 and in 1958 increased by 50 per cent over 1957. Investment capital moved steadily through the Colony's banks to overseas territories and it is significant that senior officials of three of Canada's chartered banks visited Hong Kong during 1958. The high level of building continued and a Canadian firm designed the modern hotel now taking shape.

Obviously, then, Hong Kong is continuing to fill its important role as a centre of trade and commerce for South East Asia and Canada is taking an increasing part in its business. From all indications, Canadians are rediscovering the Far East. There is no better place to make a start on this than in this busy commercial centre that maintains contacts with every Asian market. ●

Indonesia

Imports continue to be tightly controlled, because fall in exports kept foreign exchange earnings low. Conditions within country improved in last half of year and trading prospects seem brighter.

M. B. BLACKWOOD,
Commercial Secretary, Djakarta.

THE year 1958 turned out to be a difficult one for Indonesia, both financially and economically. It is the general feeling, in fact, that problems encountered were more difficult than in any year since independence. Chief among these problems were:

1. Civil war in Sumatra and in North Celebes that brought a decline in production and cost millions of rupiahs.
2. Barter trade conducted by a number of outer regions during the early part of the year. This meant the loss to the central reserves of considerable foreign exchange.
3. Shortage of shipping that disrupted inter-island communications; these are of paramount importance to the Indonesian archipelago.
4. Decreased demand in international markets for some raw materials, such as rubber and tin, that further reduced export earnings.

Financial Picture

The budget deficit for 1958 was originally expected to total 2.4 billion rupiahs, but it is now estimated at 9.7 billion. Of the difference of 7.3 billion, the cost of military operations accounted for 4 billion and the

remaining 3.3 billion rupiahs represented the loss in revenue as a result of barter trade and the decline in world commodity prices. The draft budget for 1959, adopted by Parliament in December, places total expenditures at 29 billion rupiahs and the deficit at an estimated 8 billion.

At the end of December money in circulation totalled 19 billion rupiahs, compared with 13 billion one year ago. An encouraging note, however, is that gold and convertible foreign exchange holdings, which reached a low of 1.5 billion rupiahs in July, had increased to almost 2 billion at the close of the year and about equalled those of one year ago.

According to provisional figures from the Bureau of Statistics in Djakarta, the trade balance at the end of October was:

	1958 Jan.-Oct.	1957 Jan.-Oct.
	(millions of rupiahs)	
Exports, excluding petroleum	4,180	6,285
Imports, excluding petroleum	4,484	6,900
Balance	-304	-615

The reader will note that although the trade deficit was not so large during the first ten months of 1958 as in 1957, over-all trade was down. Exports dropped by 33 and imports by 35 per cent compared with the same period of 1957.

Exports Now Improving

Exports were particularly hard hit during the first half of 1958 when internal dislocation was greatest. They improved gradually from June through October, the last month for which figures are available. It is expected that the statistics for November and December will also reflect this rise and that there will be further gains in 1959. Major exports by value during the first ten months of 1958, based on F.O.B. values at the parity rate of exchange of Rps.11.40=US\$1.00, were as follows:

MAJOR EXPORTS OF INDONESIA

	1958 Jan.-Oct.	1957 Jan.-Oct.
	(millions of rupiahs)	
Petroleum	2,639	2,288
Rubber	2,281	3,464
Tin ore	345	506
Tobacco	317	351
Tea	243	287
Palm oil	216	234
Coffee	166	307
Sugar	78	143
Copra	74	341

It will be noted that petroleum was the only export product with increased sales. Output of the foreign oil companies operating in Indonesia—Shell, Stanvac and Caltex—was little disturbed by the civil turmoil. In

July, Caltex put into operation its new deep-water harbour and oil terminal at Dumai, which can berth ships up to 20,000 tons. A 30-inch pipeline and a new high-way link the port with the Duri field, 36 miles inland. This project was carried out by Caltex under its \$50 million expansion program that got under way early in 1957.

Rubber production by both estates and smallholders improved from July on. So did exports, assisted by increased sales to the U.S.S.R. and Mainland China.

Production of tin concentrates held up fairly well. For the first ten months of 1958 it reached a reported 20,519 long tons compared with 22,957 in the same period of 1957. Exports, however, were limited by the quota arrangements of the International Tin Agreement and as a result the value of exports was down.

Copra exports lagged behind. Celebes is the major copra-producing area but because of the internal disturbances and shipping problems, accumulated supplies could not be moved into export channels until the latter part of the year.

Imports Strictly Controlled

Foreign exchange earnings were down in 1958 and this restricted imports. The B.E. (Bukti Ekspor) system, first introduced in June 1957, was maintained but slightly modified. Under this system, designed to keep imports and exports in balance, exporters earn certificates which they must sell through banks to importers. When B.E.'s were first introduced, the rate remained fairly steady at 210 to 215 per cent of the parity rate of the rupiah but gradually it increased. In April a ceiling was established at 332 per cent and the rate has since remained there.

All imports are controlled. Importers must apply for licences to bring in all goods. Much time is required

for processing these licences, because such factors as price, quality, freight and time of delivery are closely examined. At the end of 1958 the B.D.P. (Import Control Office) had some 25,000 applications on hand. It was announced that all applications not approved in 1958 were to be considered rejected. It was also announced that, effective January 2, 1959, the advance payment that importers must make when submitting applications had been increased from 100 to 133½ per cent of the C. and F. value at the parity rate of exchange of Rps.11.40 to the US\$1.00.

Industries dependent on imported materials had a difficult time in 1958 and by the end of the year it was estimated that they were operating at only 50 to 70 per cent of capacity. Unemployment has become a problem and the restrictions on imports in general have contributed to price inflation.

The Minister of Economic Stabilization recently announced that in 1959 foreign exchange for imported products would be allocated as follows—70 per cent for raw materials, 17 per cent for capital goods, and 13 per cent for consumer goods. Industries have been classified in three broad categories for the purpose of allocating foreign exchange. In order of importance they are:

1. Spinning, weaving, tires, pharmaceuticals, building materials, paper, gunny bags, chemicals and leather.
2. Margarine, tinned foods, ceramics and glassware, printing ink, trucks, packing materials, bicycles, batteries and electric-light bulbs.
3. Chocolate and confectionery, beer, mineral waters, radios, sewing machines, umbrellas, boot polish and plastic goods.

Some foreign exchange will be made available to the industries in the lowest category so that they will not be forced to close down.

If exports continue to improve, more imports will be permitted in 1959 than in 1958. Rice imports are expected to run to over 700 thousand tons and for this alone about \$600 thousand will be needed.

Trade with Canada

Despite the disturbed conditions, Canada's exports to Indonesia in 1958 held up well; for the first ten months of the year they totalled \$1,669,612 compared with \$1,633,330 for the whole of 1957 and \$1,243,026 in 1956. The range of products was considerably smaller in 1958; our exports consisted of only 40 different items compared with 65 in 1957. The contraction of the list reflects the more stringent import licensing.

These Indonesians are hard at work in a rubber remilling plant in central Sumatra. Rubber ranked as the country's second largest export in 1958, yielding first place to petroleum. Output began to improve in the last half of the year as overseas demand picked up.



CANADA'S MAJOR EXPORTS TO INDONESIA

	1958 Jan.-Oct.	1957
	(Canadian dollars)	
Trucks	\$593,402	\$314,534
Ammonium sulphate	275,673	57,350
Aircraft	230,051	
Gas engines and parts	106,584	224,292
Polystyrene	45,836	39,591
Steel plates, sheets and strips	44,288	238,291
Aircraft parts	38,135	8,395
Automobile parts	36,327	59,153
Passenger automobiles	35,484	64,984
Sparkplugs	33,627	20,433
Drugs and chemicals, n.o.p.	21,823	56,608
Bookprinting and litho paper	19,485	
Glass lenses	18,960	
Tires for trucks and buses	16,870	2,473
Bookkeeping and calculating machines and parts	11,250	67,358
Iron bolts and nuts	6,840	13,313

Canada's imports from Indonesia dropped sharply in 1958. In the first nine months they totalled only \$182,447, compared with \$787,857 in the same period a year ago and \$964,807 for the whole of 1957. Smaller purchases of rubber, tin and kapok accounted for most of the decrease.

Foreign Capital Needed

A number of countries have granted aid to Indonesia and negotiations are proceeding with others. Most of the loans from abroad or other types of assistance already received or forthcoming will be used to further the country's Five Year Plan. The bill approving this plan, which will run from January 1956 to the end of 1960, was passed last November.

The need for foreign capital to develop the country was also recognized by the Foreign Investment Bill passed by Parliament in the latter part of 1958. Bills on mining and oil production are now being drafted and it is expected that once the legislation is set up, development concessions will be granted to interested foreign firms in these fields.

In December 1958, a bill was passed stating that Netherlands enterprises in this country were to be nationalized. All Dutch firms have been under Indonesian control since December 1957. Beginning in August, this control has been transferred gradually from the Army to three civilian bodies set up for this purpose: one for the control of trading firms, the second for industrial and mining enterprises, and the third for the Dutch estates. The form nationalization will take is to be decided by further legislation. The number of Dutch living in Indonesia is now estimated at 5,000 compared with 45,000 one year ago.

Undoubtedly, developments planned in various fields will increase the need for capital and industrial goods. It is in these lines that prospects appear best. The

likelihood of some slight improvement in business conditions in Indonesia this year should help Canada's trade with this area. ●

Japan

Limitation of imports last year to remedy serious trade deficit, plus decreased production, cut down Canadian sales. Remarkable Japanese recovery should bring reversal of this down-trend.

W. G. PYBUS, *Commercial Secretary, Tokyo.*

PROSPECTS for Canadians who want to sell their goods in Japan are brighter than they were a year ago. Japan managed the necessary economic adjustment last year extremely well and looks for continued improvement in the first half of this year. The second half may even see renewed expansion.

The steps taken by the Japanese Government in mid-1957 to deal with the nation's serious imbalance of international payments were fully effective in the early months of 1958. The Bank of Japan's credit restrictions curbed further expansion of production facilities and induced caution in business circles. In the face of sluggish demand abroad, every effort was made to maintain exports and to limit imports to essentials. Decreased production and substantial inventories of both raw materials and finished goods meant that Japan throughout 1958 was able to meet export demands despite the import curbs. As the year ended, she had an estimated favourable balance of international payments of over \$300 million. This recovery in the short period of one year enabled her to repay by the fall of 1958 her loan of \$125 million from the International Monetary Fund obtained in the summer of 1957.

The economic recovery in the United States in the last half of 1958 no doubt played the major rôle in Japan's improved position. At the same time, sustained domestic consumption supported by bumper agricultural crops (particularly of rice) was a stabilizing factor during the adjustment period.

Production Climbs Again

The production index for all Japanese industries (basis 1955=100) fell to a low of 132 in January of 1958 compared with the boom period of the spring of 1957, when an all-time high of 154.8 was recorded. Throughout the first half of 1958 the index fluctuated but showed a slight upward trend. In August it began a steady climb from 141 in that month to 150 in November.

In the last half of the year, all major commodity groups showed advances, although textiles and chemicals continued to lag. In October paper and pulp production increased by 6 per cent over the previous month, non-ferrous metals by 5 per cent, and petroleum products by 4 per cent.

In general, industries that stepped up production also expanded their stocks, with the exception of the non-ferrous metals, petroleum products and paper industries which showed production increases and stock decreases. The textile, pulp, coal and ceramic industries continued throughout the last half of 1958 to adjust inventories after the production curtailment of the previous twelve months.

Assuming that the production levels reached in all industries at the year-end are maintained, raw material stocks are likely to be replenished at an increasing rate throughout 1959. This should help Canadian suppliers of raw materials.

Balance of Payments Improves

One of the best indications of Japan's better economic position compared with a year ago is the steady improvement in her balance of international payments. At the end of November 1958 her foreign exchange reserves totalled \$805 million, approximately double the figure for the same month of 1957. This reflects the continuously favourable monthly balance of payments throughout the year.

In October 1958 foreign exchange receipts totalled \$307 million against payments of \$261 million. The cumulative favourable balance of payments during April-October 1958 amounted to over \$300 million, equalling the balance forecast for the fiscal year ending March 1959. Consequently, in December the Government's estimate of this balance was revised to \$460 million and this figure may well be exceeded.

Continued United States defence expenditures and ICA dollar purchases in Japan for economic aid to other countries averaging \$549 million a year contributed greatly to the remarkable improvement in the payments balance.

Trade Pattern Varies

In spite of a general recession in world markets in the first half of 1958, Japan's exports equalled those of 1957. However, the striking annual rate of increase in exports since 1950 was checked. For January-October 1958, major declines from the previous year occurred in exports of textiles, 11 per cent, accounting for 31 per cent of the total decline; non-metallic mineral products, 8 per cent; pharmaceutical and chemical products, 5 per cent.

On the other hand, exports of foodstuffs increased 24 per cent and metal products 17 per cent, but these gains were insufficient to offset the decreases in textiles and non-metallic mineral products.

The expansion of shipments to North America stood out in striking contrast to the contraction of sales to Asia, particularly South East Asia, from January to October 1958. Sales to North America (mainly the United States) advanced by 16 per cent over 1957, despite the marked business recession, but shipments to Asia dropped by 6 per cent. North America represented 29 per cent of Japan's 1958 export market compared with 25 per cent in 1957; Asia dropped from 40 to 38 per cent.

Canadian Sales Affected

In line with Japan's general reduction of imports, Canadian sales to this country in 1958 dropped to an estimated \$100 million from the \$139 million recorded the previous year. On the other hand, Japanese exports to Canada continued their gradual climb to an estimated \$64 million in 1958 compared with \$61.6 million in 1957.

The reduction of exports to Japan clearly reflects the movement of the Japanese economy away from the boom of the first half of 1957 to the austere import program of 1958. Stockpiles of raw materials acquired in 1957, combined with production cutbacks in the latter half of that year and throughout 1958, inevitably resulted in lower Canadian sales. It is also true to say that Canada's export package to Japan, consisting of relatively few types of raw materials and bulk foodstuffs, is more vulnerable to market changes than if we offered a wider range of goods. An examination of the available export statistics for 1958 shows that some seven items accounted for \$28 million of the \$39 million reduction in Canadian exports to Japan compared with the previous year. These were: pig iron \$8 million, flaxseed \$7 million, sulphite dissolving pulp \$3.5 million, iron and steel scrap \$2.4 million, lead \$2.2 million, aluminum in primary forms \$2.3 million, and copper scrap \$2.5 million.

In spite of a fourth successive bumper rice crop in 1958, wheat and barley (with sales worth approximately \$67 million) continued to dominate Canadian exports to this country. With a current population of 91 million increasing at the rate of approximately one million a year, Japan is constantly faced with a major food problem. The solution is being found in increasing use of economical Canadian wheat to make bread.

In general, the prospect of improved Japanese production in 1959, plus the introduction of copper ore (and possibly coal) as export items, should result in higher Canadian sales to Japan.

Japanese Exports Expand

The most significant development in Japanese exports to Canada in 1958 was continued expansion in the face of market recession. A measure of Japan's success is the narrowing of the trade ratio between Canada and Japan from nine to one in 1953 to 1.6

to one in 1958. Although in many fields Japan still has a long way to go in competing with the United States and various other countries in the Canadian market, there is little doubt that the seeds of improved quality, prices, deliveries and trading practices sown in the past few years are bearing fruit. ●

Laos

Kip has been devalued and import and exchange controls removed. Despite this freeing of trade, market continues to be small and opportunities for Canadians rather restricted.

W. M. MINER,
Assistant Trade Commissioner, Hong Kong.

LAOS, a landlocked country, is centrally situated in the Indo-China peninsula, bordering on China, Burma, Thailand, Cambodia and Vietnam. This sparsely populated territory is essentially agricultural and engages in little commerce. It has few industries and imports mainly semi-processed and finished consumer goods. Trade is conducted largely through Bangkok and imports move overland from there to Vientiane, although some commodities are brought through Vietnam and Cambodia. Isolation and the rather poor transportation in Laos are major hindrances to economic development.

Imports Down in '58

Although it is insulated to some degree from the economic fluctuations in surrounding countries, Laos nevertheless felt the recession general throughout South-east Asia in 1958. Imports fell to 561 million kips* in the first half of last year, compared with 1,236 million in the same period of 1956 and 1,459 million in 1957. Exports from January to June were valued at 28 million kips, a slight increase over the two previous years.

There are no statistics covering trade between Canada and Laos but the total is certainly small. The principal suppliers to this market are Thailand, France, the United States, Japan, and other South East Asian countries.

Laos has a substantial trade deficit, partly because of goods brought into the country to support various development programs. The main development projects include improvement of communications, irrigation, rural electrification; power supply and agricultural

methods. The United States provides most of the aid, both economic and military, but substantial help also comes from France and through the Colombo Plan and the United Nations.

Currency and Controls

Laos recently devalued its currency and made the kip freely convertible at the exchange rate of 80 to the U.S. dollar. At the same time, the Government abolished all import licensing and exchange controls. This reform sought to remove the wide disparity between the official and the free rate of the kip and accompanying difficulties in the import trade. The artificially low rate led to the import of unessential merchandise and to speculative purchases. Importers may now bring in any goods they wish but the prices will naturally be higher, except for those previously bought at the free market rate.

The revisions had little immediate effect on prices and some actually declined (especially staple commodities), perhaps reflecting high mark-ups on imports under the old system. The commercial community is remaining cautious about the future but imports of non-essentials will probably decrease.

Just how aid funds will be used under the new system is not yet clear but it is expected that exchange will be made available to importers for specific types of goods under a procurement system similar to that used before the reform.

Tariff Being Revised

Laos is drafting a new customs tariff but the rates are not yet known. It is expected that duties will be increased on luxury goods such as spirits, passenger cars, refrigerators and various other finished consumer products and that those on essentials for construction, agriculture and local industries will be lower.

During the year, the Government made arrangements for the issue of through bills of lading for goods consigned to Laos. Documentation of this nature should reduce the cost of and simplify the procedure for forwarding shipments.

Trade Outlook

Laos continues to be a small market of some 200 thousand people, with a correspondingly limited demand for imports. At the same time, foreign trade is now completely free and the Government, with assistance provided by various countries, can now use these resources to develop the economy. Once the import trade has stabilized, there should be some demand for goods of interest to Canada, such as metals, chemicals, paper, sawmill equipment and a few consumer goods. In step with government measures designed to develop the country, there may also be a growing market for construction materials, aircraft, transportation equipment, motors, electrical machinery and other goods useful in economic development. ●

*The exchange rate for the kip was 35 kips=US\$1.00 up to Oct. 10, 1958, when it was devalued to 80 kips=US\$1.00.

Macao

Trade is reviving slowly; government plans for development of local industry constitute major step in recovery program.

W. M. MINER,
Assistant Trade Commissioner, Hong Kong.

THE tiny Portuguese colony of Macao has been experiencing a trade recession for some seven years now. Following the last war, Macao was relatively prosperous but dependent almost entirely on transshipment trade; it suffered as a result of economic sanctions imposed after the Korean war. This may readily be seen from the following figures of total trade:

TOTAL TRADE OF MACAO

(in patacas*)	
1951	745,366,151
1952	476,134,141
1954	384,442,578
1956	141,502,463
1957	174,635,628

*Six patacas=one Canadian dollar (approximately).

Macao has an over-all trade deficit—imports in 1957 reached 117 million patacas in value and exports only about 58 million. There was some improvement during 1958, but business remained relatively slow for most of the year. Macao is striving to broaden its export markets to include some of the other Portuguese overseas territories, though it continues to obtain much of its income from trade with Hong Kong and the ports of southern China and Vietnam. Most of the transshipment business is done in rice, sugar, lumber, textiles, flour and construction materials. A large share of her imports are obtained through Hong Kong, where traders have the use of banking and transportation facilities and the open money market.

Canada sells very little to Macao directly though some flour and canned foods are exported to that market. It is believed that some other Canadian products are obtained through Hong Kong to satisfy the needs of Macao's more than 200 thousand people.

Industry Is Growing

Although the transshipment business remains of prime importance, more and more attention is being paid to the development of local industries. There is some production of firecrackers, matches and joss sticks and the Government is encouraging other light industries such as the manufacturing of cotton piecegoods and the processing of marine products, tobacco and Chinese

preserves. A considerable amount of attention is also being given to the development of the tourist trade to take advantage of the colony's attractive setting and sites of historic interest.

Macao is making a concerted effort to develop and expand its economy. The Portuguese Government has adopted a six-year plan providing for schools, hospitals, and low-rental housing. Attempts are also being made to improve air and sea transport and to develop fisheries and forestry; the success of the program will depend on the state of the economies in surrounding territories. This small province has survived a long and sharp trade recession, but economic indicators suggest that it should be able to look forward to a brighter future. ●

Mainland China

Canadian sales to China rose to \$8 million last year, with wheat far in lead. Industrial expansion demands raw materials and certain types of equipment that we might supply, if our traders make necessary contacts.

C. J. SMALL, *Trade Commissioner, Hong Kong.*

ECONOMIC development in Mainland China made, in many respects, more advance in 1958 than in any year since 1949. Substantial gains in the production of grain, cotton, coal and steel, machine tools, electricity and cotton yarn have been reported and certain sectors of light industry have also progressed. Foreign trade is estimated to have gone up 14 per cent in volume in the past year and the number of countries and regions trading with Mainland China has risen to 94. Nevertheless, the foreign trade drive slackened towards the end of the year in the face of shortages of transport and labour. Exports to the West particularly, which had been building up steadily, declined as more and more of China's transport and human resources became committed to the achievement of greater steel output.

Industry has set itself higher objectives than ever in 1959 and will probably need larger supplies of raw materials and certain types of industrial equipment. The limited foreign exchange reserves, however, will continue to dictate the priorities and consumer goods are unlikely to figure largely among imports.

Foreign Trade Analyzed

Close to 80 per cent of Mainland China's foreign trade—currently estimated at about \$4,500 million a year—is carried on with the Soviet Union and with

the Communist countries of Eastern Europe. The lion's share of the remainder is conducted with Western Europe and particularly the United Kingdom, West Germany and France. Last spring, Japan appeared to be on the verge of becoming a major factor in Chinese trade but virtually dropped out of the picture when China cancelled contracts under a private trade agreement between the two countries. The slack has been taken up, largely by Western European countries, but Japan remains in the wings both as a potential customer and as a major supplier. Meantime, China has launched an export drive for South East Asian markets and this effort will probably continue.

In imports, China's interest lies primarily in essential raw materials and equipment. Recently, she has been offering to accept iron ore, copper, lead, zinc, high-speed steel, carbon tool steel, calcium carbide, phosphate, agricultural machinery, steel products, machine tools, locomotives, railroad cars, furnaces, boilers, petroleum products, core-drilling rigs, transport and industrial equipment (including oil refining, coal dressing and cold storage equipment), and complete plants for the production of nitrogenous fertilizer, cement, and electric power.

The range of China's exports has increased in recent years and commodities currently offered abroad include coal, cotton, cotton yarn, rubber tires, tin, rolled steel, structural steel, ferromanganese, sulphur, paraffin, gypsum, textiles, diesel locomotives, chemicals, mercury, iron, tungsten and molybdenum ores, textile machinery, machine tools, electronic tubes, radio parts, plywood, hardware, building materials, musical instruments, paper and stationery, sporting goods and many consumer items in addition to traditional commodities like tea, silk, soy beans and tung oil.

A glance at the foregoing paragraphs reveals that a number of items appear in both import and export lists. It is a fact that China is both importing and exporting the same products, depending upon changing political and economic conditions.

Sino-Canadian Trade

The list of Canadian commodities exported to China in 1958 is notable not only for the increase in value to some \$8 million, but also for its greater length and diversity. Wheat gained the top position for the first time in recent years, and fertilizers disappeared from the list entirely, after holding the top spot for the previous three years. Our failure to hold the market for fertilizers can be attributed almost entirely to price—European suppliers pared their quotations to the bone. The wheat sales were consummated before the extent of China's grain-production increase became known and so far the Chinese have shown no interest in resuming buying. However, this does not rule out possibilities of future sales.

In the second half of the year, China's needs for a variety of metals became increasingly evident and re-

sulted in growing exports of Canadian magnesium and nickel. The dispatch of two cobalt beam therapy units to China in October and subsequent shipments of scientific instruments followed the August relaxation in strategic export controls and marked a new departure in our sales to China that could mean a growing trade in this field.

SINO-CANADIAN TRADE

	Exports to China	
	1957 (full year)	1958 (Jan.-Nov.) Preliminary
		(\$'000)
Wheat		6,991
Nickel		562
Hospital equipment		85
Magnesium		66
Wheat flour		20
Scientific equipment		8
Drugs	4	7
Piano parts		6
Electrical equipment		3
Wool rags and waste		3
Ammonium sulphate	868	
Kraft paper	297	
Acids	86	
Wood pulp	128	
Total	1,400	7,755

	Imports from China	
	1957 (full year)	1958 (Jan.-Sept.) Preliminary
		(\$'000)
Walnuts	2,442	1,355
Furskins	1,154	793
Peanuts	980	843
Cotton textiles	229	263
Antimony regulus	185	9
Eggs, dried	63	35
Sodium glutamate	37	23
Carpets	30	9
Linen textiles	27	30
Bristles, animal	23	4
Essential oils	19	34
Paint brushes	3	20
Menthol	6	18
Total	5,304	3,579

Imports into Canada from China fell off slightly in 1958 for the second year but reached an estimated \$4 to \$5 million compared with \$5.3 million in 1957. This resulted in a favourable Canadian balance for the first time in recent years. The prime factor in this decline was the decrease of over a million dollars in the value of walnut shipments to Canada; peanut shipments also declined. Imports of undressed furs fell but, for a wide range of textile items such as cotton fabrics, tablecloths, handkerchiefs, embroideries, etc., sales were



These plywood boxes contain Chinese walnuts, ready for shipment to foreign buyers. Canadian purchases of walnuts declined by over a million dollars last year, though they continued to be the largest single Canadian import from Mainland China.

up. Walnuts continued to be the largest single import, followed again by undressed furs, peanuts and textiles. According to preliminary statistics, antimony imports were down last year but manganese ore more than compensated for this loss.

The downward trend will probably be arrested in 1959 and imports from Mainland China should increase again this year. The country is producing a wider range of goods today than ever before and, although many of these are of little interest to the Canadian market, others might well move to Canada in increasing volume. Among these are hardware, sporting goods, radio and electrical equipment, footwear, metallic ores such as manganese and antimony, musical instruments, certain types of paper, plywood and textiles, both unprocessed and finished. In addition, if China's transport and labour problems are overcome, the traditional exports such as walnuts, peanuts, silks and furs may increase in volume.

Outlook for Canadian Exports

The extent of the market in China for any product at a given moment is difficult to gauge accurately and actually depends on a variety of factors. At the time of writing, the 1959 Economic Development Plan has not been approved and this sets the over-all pattern of trade in any year. Foreign exchange reserves will again limit imports to essentials. China's lack of knowledge of Canadian export potential holds back trade expansion and this can only be overcome by thoroughly working the market. Furthermore, only exporters of those products in which Canada is competitive in world markets can expect expanding sales.

Wheat shipments of the 1958 volume appear less likely in 1959, but prospects for shipping increasing quantities of primary and semi-processed metals are bright. Up to the time of writing, China's main interest has been in magnesium, nickel, copper, zinc, lead and steel. Interest in wood pulp continues and there are some indications that a resumption of timber imports may not be far off. Fertilizers will again be needed in vast quantities and equipment for pulp and paper, oil refining, cement, cold storage, fertilizer, power and other plants will probably be required. Drilling rigs, high-speed steel, machine tools, agricultural machinery, gasoline and diesel motors, locomotives and plastic raw materials are export possibilities for Canadian suppliers.

Market Approach

Exporters interested in selling to China should write directly to the head office and branches of the Chinese State Trading Corporations located in Peking, Tientsin, Tsingtao, Shanghai and Canton and/or their agents in Hong Kong: China Resources Company, (represents all Corporations); Ng Fung Hong (China National Foodstuffs Export Corporation), and Teck Soon Hong, Ltd. (China National Native Produce Export Corporation and China National Sundries Export Corporation).^{*} Letters should include a full description of the goods or services offered, a minimum of three to six descriptive brochures and, wherever possible, price quotations on a C.I.F. China ports basis. It is not sufficient to write to the head office alone because the branches retain a considerable amount of autonomy in approaching end-users in China and in placing orders abroad. Copies of correspondence might be sent to the Canadian Government Trade Commissioner in Hong Kong, who is responsible for promoting trade with China and who can then follow up and perhaps advise. As a general rule, Canadian exporters who are prepared to import Chinese goods may be in a better position to promote sales than those who are not. However, where volume sales of essential goods are concerned, prices and delivery dates are the prime considerations and the willingness to import Chinese products is secondary.

After initial contact has been established, if the state trading corporation has shown sufficient interest in the product offered, a trip to China generally will pay dividends in terms of contracts. However, such a visit should be planned and organized well in advance and the Trade Commissioner Service in Ottawa will be glad to help in making arrangements. The Chinese Export Commodities Fair in Canton (see "Canton Holds an Export Fair" in the January 31, 1959, issue of *Foreign Trade*) may also be worth a visit.

Payment for goods purchased by China is generally made by letter of credit or occasionally by letter of guarantee. In either case, payment is normally made

^{*}See "How to Trade with Mainland China", *Foreign Trade*, February 1, 1958, for addresses of Chinese trading corporations.

promptly. The Chinese do not generally ask for credit but, where the contract involves delivery of a complete plant, credit terms of up to five years may be requested. Deliveries from China, generally speaking, are prompt and according to contract. However, in recent months, some delays have arisen because of transport and labour bottlenecks. Quality of deliveries is generally up to sample and if on occasion it is not, an agreed settlement can usually be reached. The Chinese prefer to trade in Swiss francs or sterling and their export offers to Canada are generally quoted in the latter. However, the external convertibility of sterling, recently announced, means that this method of payment does not pose any problem for Canadian exporters. ●

Malaya

Relaxation of import restrictions on dollar goods should mean broader trading opportunities for Canadians. Eighteen months since independence have seen Federation progress, despite drop in world prices for tin and rubber.

BARRY C. STEERS,
Assistant Trade Commissioner, Singapore.

THE Federation of Malaya has solid achievements to its credit in the period—not quite a year and a half—since its emergence as a sovereign nation. It has taken its place as a full member of the Commonwealth and participated in the Commonwealth Trade and Economic Conference held in Montreal in September 1958. It is an effective member of the General Agreement on Tariffs and Trade and the International Monetary Fund. The pattern for future economic development has been outlined in sound legislation from the capital, Kuala Lumpur. Altogether, it has provided an example of stable democracy in a multi-racial state.

Rubber Prices Down

Last year the Federation was hard hit by sagging prices for its main exports, rubber and tin. Although rubber shipments from Malaya and Singapore rose nearly 8 per cent from the 1957 total of 1,000.2 thousand long tons to 1,080.7 thousand long tons in 1958, for the second consecutive year average rubber prices declined. In fact, the average price of noon f.o.b. rubber in Singapore in 1958, Malayan 80.18 cents a pound (Can.26.7 cents), was the lowest since 1954 and represented a drop of just over Malayan 8½ cents (Can.2.8

cents) from the 1957 average. The decline in price might well have been greater had not heavy purchases from the U.S.S.R. and Poland bolstered the market, particularly in the closing months of the year. These two countries were among the ten best Malayan customers for rubber in 1958, although neither made the top ten in 1957.

In 1959 Malaya is expected to become the world's largest producer of natural rubber—an honour lost to Indonesia more than a quarter of a century ago. An aggressive replanting scheme, using high-yielding trees and begun in 1953, is starting to pay dividends—more rubber per tree and more trees. Smallholders alone have replanted more than 187 thousand acres. Singapore rubber experts view the challenge of synthetic rubber with considerable optimism.

Tin Shipments Fall

The drastic cutting of Malaya's permissible tin exports last year under the International Tin Agreement resulted in the lowest shipments for over ten years—only 45,695 tons. Figures show 1958 exports down by 35 per cent compared with 1957. The North American recession and heavy U.S.S.R. sales outside the Tin Agreement in an already declining market were the principal factors in this decline.

Canada and many other traditional importers have agreed to purchase only from Tin Agreement producers. This decision, combined with the recovery from the recession in North America, should improve the Federation's 1959 tin sales.

What Federation Traded

Although Malaya has only 6.5 million people, it provides a market as large as other South East Asian countries with populations many times this size and the Malayan standard of living is the highest in South East Asia. The Federation's external trade for the first eleven months of 1958 totalled M\$7,190.6 million (Can.\$2,397 million). A general slowing-up of business brought this figure down some 9 per cent from that of January to November 1957.

Imports for the first eleven months of 1958, although they declined 7½ per cent from 1957, reached M\$3,754.9 million (Can.\$1,251.6 million). Exports, at M\$3,435.7 million (Can.\$1,145.2 million), fell nearly 11 per cent. The gap between imports and exports, by value, reached a high of M\$319.2 million (Can.\$106.4 million).

Import Restrictions Relaxed

Despite the slight drop in trade during the year, the Federation none the less relaxed restrictions on imports in the spirit of the Commonwealth Trade and Economic Conference. Effective January 1, 1959, the direct import from the dollar area of 23 additional classes of goods was permitted.

Here is the list of additional products which may enter the Malayan market from the dollar area under licences freely issued. If you make one or more of these items and wish to export them, write to the Canadian Government Trade Commissioner in Singapore. He will be pleased to help promote your sales in Malaya.

- Trucks (lorries and parts)
- Boats
- Plastic products such as laminated sheeting
- Milk preparations
- Synthetic fabrics
- Cotton and synthetic clothing, including shirts and pyjamas
- Mining machinery
- Calcium carbide
- Germicides and pesticides
- Aluminum semi-fabrications
- Paper products, including toilet tissues
- Power-operated saws
- Marine outboard motors
- Piping
- Flooring
- Mechanical rubber goods
- Agricultural machinery
- Typewriters
- Paint products and pigments
- Disinfectants
- Medicinal preparations
- Steel and steel products
- Truck and bus tires

Trade with Canada

The following table shows the leading commodities Canada exported to Malaya and Singapore in the first eleven months of 1958 and how they fared compared with the same period of 1957.

CANADIAN EXPORTS TO MALAYA

	January/November 1958	January/November 1957
	(Canadian dollars)	
Canned fruits and vegetables	\$ 37,122	\$ 37,295
Rolled oats	123,273	14,345
Wheat flour	594,403	663,920
Pneumatic tires	20,273	34,200
Frozen salmon	16,404	6,665
Canned salmon	37,900	68,401
Synthetic fibres	29,512	31,511
Oilcloth	14,008	11,343
Newsprint paper	133,215	119,779
Gas engines and parts	605,558	412,171
Lawn-mowers and parts	10,758	6,885
Files and rasps	22,288	136,297
Cars, trucks and parts	579,647	607,289
Clocks and parts	13,688	7,559
Synthetic resin manufactures	107,035	67,738
Drugs and chemicals	177,372	108,615

Malayan export statistics for the first ten months of 1958 make Canada Malaya's eleventh best customer for crude rubber, with sales of M\$30.3 million (Can.\$10.1

million). Canada ranked seventh for this period in 1957 with purchases of M\$50 million (Can.\$17 million).

Opportunities for Canadians

Strong and carefully directed efforts to broaden the Malayan economic base and absorb a rapidly growing labour force by promoting new industries are meeting with success. "Pioneer Industry" legislation that grants a tax holiday and offers other guarantees is attracting foreign and local capital. Some 40 small industries, it is reported, will open plants this year in various centres of the country. In the years ahead these industries should provide Canada with a growing market for plastics, chemicals, aluminum ingots, synthetic fibres and a broad range of partly processed goods.

In 1959, for example, Malaya will begin to import sulphur. A textile mill in Johore, now protected against imports of cheap fabrics, hopes to expand production into synthetic cloth. A plant in south Malaya to open soon will require polyethylene for extruded plastic products. Plans are under way for an aluminum fabricating plant which will require aluminum ingots.

Development projects that are going ahead may also provide sales opportunities. For example, work should begin some time this year on the Cameron Highlands hydro-electric power project. In September the International Bank lent US\$35.6 million to the Malayan Central Electricity Board on terms of 25 years at 5½ per cent interest. The Commonwealth Development Finance Corporation is to lend £500 thousand at 6½ per cent. It is anticipated that about 200 thousand kw. of electricity will be produced by the hydro-electric scheme when it is completed. A German engineering firm—Hochtief, Rellinghauser Strasse 55/57 of Essen, Germany—submitted the lowest tender on a world-wide bid and won the contract. No Canadian firms offered bids.

Tenders will be let in 1959 for the Klang Straits Project—a harbour development plan for the Malayan capital port at Port Swettenham. The United States Development Loan Fund has provided US\$10 million on a 30-year repayment basis for the project.

Thus two large engineering projects are under way in the Federation of Malaya only a little more than a year after independence. These projects are expected to generate new industries and create new export opportunities for Canada.

Canadian equipment suppliers interested in these projects should contact Messrs. Preece, Cardew and Rider, 8, 10 and 12 Queen Anne's Gate, Westminster, London, S.W. 1, England, Consulting Engineers, for the Cameron Highlands project, and the Department of Trade and Commerce for additional information on the Klang Straits project. This office will also be pleased to help provide information and contacts. ●

Philippines

Tight import controls and restricted dollar allocations are reducing imports, even though expanding industries need foreign materials. But industrial growth is expected to continue and to offer some opportunities to Canadian suppliers.

H. L. E. PRIESTMAN, *Consul-General and Trade Commissioner, Manila.*

TWO trends highlighted the 1958 economic scene in the Philippines: the continued pressure on dollar reserves and the increasing inflation. The Central Bank quoted dollar reserves at the beginning of January 1959 at \$146.5 million. This is \$6 million higher than in January 1958 but does not, according to some observers, reflect the fact that during this month and next, the Central Bank must make good on a large number of maturing short-term loans negotiated with commercial banks in the United States. Reserves dropped during 1958 to a record low of \$126 million in December, despite rigorous restrictions on imports throughout the year. The shortage of receipts of dollars earned from exports is blamed in part on barter trade irregularities and other evasions.

During the first nine months of 1958, more rigorous import controls and restricted dollar allocations cut down imports by 12.1 per cent. This trend continued throughout the rest of the year. As an example, the value of Canadian wheat flour sales to the Philippines for the first eleven months of last year dropped to \$7,471,025, compared with \$9,761,904 in the same period of 1957.

Imports Down, Exports Up

Philippine exports in the first nine months of 1958 were valued at 712.6 million pesos, 4.3 per cent higher than in the same period of 1957. Exports to Canada totalled \$1,937 thousand, including \$753 thousand worth of copra and \$630 thousand of chrome ore. In the same period of 1957, sales to Canada totalled \$3,457 thousand, of which copra accounted for \$2,219 thousand and chrome ore \$335 thousand. Canada is buying less Philippine copra for turning into coconut oil and more of the coconut oil itself from the United Kingdom, Ceylon, Australia and other Commonwealth countries.

Despite reduced imports and increased exports, the unfavourable balance of trade continues. In the first nine months of 1958 it totalled 106.6 million pesos, 142.3 million less than in the same period of 1957 but still severe enough to exert tremendous pressure on dollar reserves.

With reduced imports and the Filipinos' strong desire to industrialize, the best opportunities for Canadian exporters lie in the sale of basic foodstuffs, raw materials and equipment for manufacturing, and in machinery and equipment for the mining, logging and electrical industries. This is pointed up in the accompanying table of the ten leading imports which made up 74.2 per cent of all purchases from abroad in the first nine months of 1958. Machinery other than electric, and electrical machinery, apparatus and appliances together made up nearly one-fifth of total imports.

Canada Loses Ground

Total Canadian exports to the Philippines for the first eleven months of the year slumped from \$16,244 thousand in 1957 to \$11,942 thousand in 1958. Losses

PRINCIPAL EXPORTS OF THE PHILIPPINES

	1958 (9 mos.)		1957 (9 mos.)	
	Quantity (¹ 000 kilos)	F.O.B. Value (¹ 000 pesos) ²	Quantity (¹ 000 kilos)	F.O.B. Value (¹ 000 pesos) ²
Total exports		708,832		680,154
Principal exports		644,088		601,130
Copra	581,798	194,293	740,442	203,948
Sugar (centrifugal)	796,920	193,390	631,729	147,182
Logs and lumber	943,654 ²	96,614	666,684 ²	70,723
Abaca, unmanufactured	70,024	43,040	90,635	60,859
Coconut oil	70,484	37,943	71,400	29,413
Desiccated coconut	40,581	24,991	42,324	22,863
Chromite ore	420,919	17,336	565,080	25,165
Copper concentrates	89,754	15,637	69,490	14,951
Iron ore	749,397	13,132	1,053,393	17,697
Pineapple, canned	18,599	7,712	19,606	8,329

¹One peso=50 U.S. cents.

²Thousand board feet.

PRINCIPAL IMPORTS INTO THE PHILIPPINES

	1958 (9 mos.)	1957 (9 mos.)
	(F.O.B. ¹ 000 pesos)	
Total imports	819,223	932,208
Principal imports	607,863	679,738
Machinery other than electric	121,764	128,588
Mineral fuels, lubricants and related materials	88,205	86,464
Textile yarn, fabrics and made-up articles	84,755	117,607
Base metals	74,989	101,677
Cereals and cereal preparations	73,594	51,044
Transport equipment	43,233	52,530
Dairy products, eggs and honey	37,206	43,718
Electric machinery, apparatus and appliances	30,460	37,913
Manufactures of metal	29,258	28,935
Paper, paperboard and manufactures	24,400	31,262

FOREIGN TRADE

in flour, newsprint, wood pulp, machinery, copper wire, zinc spelter and fertilizer accounted for most of the setback. Some of these goods are being edged out by European and Japanese suppliers. American firms are experiencing the same losses in the face of intensive European and Japanese competition.

In base metals Japanese, Rhodesian and Australian zinc has been competing strongly in the Philippine market. Copper ore has been exported to Japan for smelting and refining, then re-imported for drawing. Copper wire and copper tubing were imported from Canada in 1958, though in smaller amounts than in 1957. Canadian sales of newsprint to the Philippines also fell last year—from \$1,351 thousand in the January-September period of 1957 to \$641 thousand in the same period of 1958.

Imports of wheat flour into the Philippines totalled nearly 270 thousand metric tons or 11,703 thousand bags in 1958. The U.S. supplied 64 per cent (7,496 thousand bags of 50 lb.), Canada 33.3 per cent (3,893 thousand bags), and Australia 2.7 per cent (314 thousand bags).

The Philippines has been Canada's second largest customer for wheat flour. Last year, however, the first Philippine flour mill was built and Canada sold 10,000 tons of wheat for milling, with prospects for more orders in the future. Three or four additional mills are scheduled to be erected in the next few years, with the ultimate objective of replacing imported wheat flour by the locally-made product.

New Import Regulations

Canadian businessmen who have lost sales to U.S. competitors in the past would do well to take another look at the Philippine market. Starting on January 1, 1959, all dutiable American goods entering the Philippines pay 50 per cent of the general tariff rate rather than 25 per cent as in the past. Thus the U.S. exporter has a much smaller tariff preference over Canadian and other shippers to this country.

Another development which should prompt Canadians to re-examine the market is the implementation of the "Filipino First" policy. Recently the Central Bank announced that henceforth only qualified Filipino and American importers established in the Philippines could import decontrolled goods. In addition, alien importers (other than American) have had their dollar quotas cut for the first quarter of 1959 to 50 per cent of their quotas for the last quarter of 1958. In the second and third quarters of 1959, the quotas of such aliens are to be cut further, until they have no quotas for dollars in the last quarter of this year.

Several large British, Swiss, Spanish and Danish importing and sales firms will be severely restricted by this announcement because now they will be able only to indent decontrolled items for a principal and

will be unable to import such goods as flour or canned milk for their own account. This move is thought to be aimed primarily at the large and influential Chinese importing community; some of these importers represent Canadian firms. The new restrictions are being protested by foreign firms, some of which have been in business in the Philippines for over a century.

Outlook Is Promising

To sum up, 1959 may see the pressure on Philippine dollar reserves relieved somewhat by decreasing imports and increasing exports and, to probably a greater extent than last year, by more U.S. aid. There should be a continuing development of natural resources and more new industries, bringing increased opportunities for Canadian exporters of manufacturing, mining and lumbering machinery, engineering know-how, and raw materials. But Canadians can also expect stiffer competition from European and Japanese suppliers. ●

Singapore

Encouragement of new industries and removal of import restrictions on some dollar goods should ease the movement of Canadian products to Singapore and provide new outlets for our suppliers.

BARRY C. STEERS,

Assistant Trade Commissioner, Singapore.

THE leading political parties of Singapore hope that the island will eventually unite with the Federation of Malaya, but the two areas at present continue along separate paths. After the elections this coming May the new constitution of Singapore will take effect. It provides for internal independence, though the United Kingdom will still be responsible for external affairs and defence.

The Federation of Malaya has gradually cut off administrative bodies common to it and Singapore. Some of the Pan Malayan Government Departments have been split, and on January 24 the Federation opened its new Central Bank. Singapore will not participate though a clause in the bank's charter provides for the entry of Singapore and British Borneo if they choose.

Despite political differences, however, Singapore remains linked economically to the Federation and serves as the major exporting centre for its produce. It is, in fact, the main door of the Federation to the outside

world and last year handled 71.4 per cent of Malaya's total external trade.

The Entrepôt Trade

When rubber became a major product of Malaya about the turn of the century, it was marketed by the processing, shipping, banking and other commercial organizations in Singapore. At the same time the city proved a convenient port of entry for raw materials and consumer goods from abroad. Its location astride the Asian trade routes made it equally valuable to neighbouring countries which made increasing use of its facilities. Singapore's entrepôt trade developed through the years and now it is second only to London in tonnage handled in the Commonwealth. Today entrepôt services provide its 1.5 million persons with one of the highest living standards in Asia.

Total Trade Falls Off

Because of the general world recession, 1958 was a difficult trading year for Singapore. Exports for the first ten months were valued at M\$2,074.2 million (Can.\$691.4 million), M\$245 million (Can.\$81.6 million) below those for the first ten months of 1957. Imports tumbled from M\$2,797.8 million (\$932.6 million) in the first ten months of 1957, to M\$2,602.8 million (\$867.6 million) for the same period of 1958. The principal causes were the drop in both value and volume of tin exports and the drop in the value of rubber exports.

Restriction on tin exports under the provisions of the International Tin Agreement forced shipments for the first ten months of the year down to 7,700 long tons valued at M\$47 million (\$15.6 million), compared with 18,300 long tons valued at M\$118 million (\$39.3 million) for the corresponding period in 1957.

The volume of rubber exports held up well in 1958 and in the first ten months totalled 520 thousand long

tons compared with 485 thousand for the same period in 1957. However these sales fetched only M\$820 million (\$273.3 million) compared with the 1957 figure of M\$953 million (\$317.6 million).

Restrictions on Dollar Goods Eased

Effective January 1, 1959, the Government of Singapore released from import restrictions a range of 23 products from the dollar area. The list is the same as that issued by the Federation of Malaya (see page 19). These products were formerly prohibited direct entry to the Singapore/Malaya market, though they could be brought in through Hong Kong. Dollar goods that are still prohibited may continue to come in via Hong Kong.

Some of the products of interest to Canada which must still enter via Hong Kong are: vegetables, fresh, dried or canned; meat and meat preparations other than canned meat; fish, fresh, dried or salted, all kinds; toys and games; automobiles; luxury automobile accessories; automobile spare parts obtainable from other than dollar sources and suitable for any known make of motor vehicle, such as fan belts, piston rings, clutch facings, brake linings, sparkplugs, ignition cables and storage batteries.

How to Ship via Hong Kong

If a Canadian businessman wishes to export to Singapore goods still subject to dollar restrictions he ships his product (on instructions from his Singapore agent) on a Canada-Hong Kong bill of lading. The Singapore importer buys Canadian or U.S. dollars with Malayan currency on the Hong Kong free market. Then he obtains through his Hong Kong agent a Hong Kong/-Singapore bill of lading for the goods, which actually need not be offloaded in Hong Kong. This roundabout operation discourages and even prevents trade, because it costs the Singapore importer from 3 to 7 per cent to buy his exchange and pay an agent for the paperwork; in some instances this amounts to as much as his margin of profit.

According to Malayan statistics Canada exported M\$15 million (\$5 million) to Singapore/Malaya in the first ten months of 1958. Of this M\$11.7 million (\$3.9 million) entered directly and M\$3.3 million (\$1.1 million) via Hong Kong. Because the removal of restrictions in effect reduces the cost of dollar imports that formerly could not be licensed directly, traders in Singapore expect a moderate increase in shipments from Canada.

Industry Encouraged

The Singapore Legislative Assembly in December passed a bill to give tax concessions to pioneer industries and to other enterprises undertaking approved expansion. The Minister of Commerce and Industry explained that the Government hopes to encourage new industries in Singapore and to attract local and



In a rural area of Singapore Island, villagers wait patiently for a bus. A simple shelter with a roof reinforced with Canadian asbestos fibres protects them from the burning Malayan sun.

foreign businessmen to invest in them. Freedom from income tax is offered for a period of five years if the products to be manufactured are considered of benefit to Singapore.

Each new industry will, of course, need industrial raw materials. Singapore can offer labour, good shipping and a central location in Asia. But because it has no minerals and no forests, Singapore should provide Canada with a new but small market for some industrial raw materials, when and if these industries develop.

Under discussion in the Assembly at present is a bill providing for import duties to protect selected local industries and their products. The Minister of Commerce and Industry made it plain, however, that his Government would not impose duties to hinder the entrepôt trade. Canadian exporters can continue, therefore, to count on Singapore as a small market for a wide variety of consumer goods, ranging from outboard motors to automobiles. ●

South Korea

Inflation has become less serious and industrial production has risen during the past year. Most imports still financed through ICA; Canadian sales totalled \$3.5 million in 1958.

R. G. WOOLHAM,

Assistant Commercial Secretary, Tokyo.

ONE of the outstanding trends in the Korean economy during 1958 was a marked decline in the monetary inflation that for the past few years has weakened the country's financial position and slowed up its development. The Seoul consumer price index¹ based on 1955=100 rose to an average of 123 and 151 during 1956 and 1957 but during the first nine months of 1958 it fell to an average of 147.

The index of industrial production¹ indicates substantial and continuing increases in output. Based on 1955=100, it climbed to 120 in 1956, to 156 in 1957, and by September of 1958 was estimated at 179.

Despite a slowing-up in the rate of inflation and greater industrial output, interest rates on commercial loans run as high as 6 per cent a month.

Foreign Aid Continues

Foreign economic aid and relief, principally from the United States, has played a major part in supporting the Korean economy and in economic development.

¹Source: Bank of Korea.

In 1957, aid to Korea totalled \$383 million, \$56 million more than the year before. During the first seven months of 1958, it reached \$205 million, a decrease of \$50 million compared with the corresponding period in 1957.

Canada's Trade with Korea

The table below gives statistics on Korea's foreign trade, with special reference to Canada's share of this market. Our commercial exports to Korea (with half-a-million dollars worth of gifts and donations excluded) declined to \$3.5 million during the eleven months ended November 1958, from \$6.4 million for the same period of 1957. Among the Canadian products that chalked up increased sales in this market during the eleven months of 1958 were sulphate pulp unbleached (total sales \$320,343), newsprint (\$130,788), zinc spelter (\$329,473), and mixed fertilizers (\$155,600). Other leading exports were ammonium sulphate (\$892,192), sulphate pulp bleached (\$420,262), nitrogen fertilizer (\$384,237), and primary aluminum (\$100,585). A Korean fertilizer plant that recently went into production has cut down our sales of nitrogen fertilizer.

SOUTH KOREA'S FOREIGN TRADE

Exports from Korea

	To all countries ¹	To Canada ²
1956	\$24,595,000	\$ 1,150
1957	22,202,000	34,135
7 months ended July 1957	13,213,000	29,923
7 months ended July 1958	8,426,000	23,976

Imports into Korea

	From all countries ¹	From Canada ²
1956	\$59,605,000	\$2,594,118
1957	57,177,000	6,969,541
8 months ended Aug. 1957	36,411,000	5,602,614
8 months ended Aug. 1958	43,080,000	3,512,760

Source: ¹Bank of Korea.

²D.B.S.

Nearly all exports to Korea are financed with ICA funds and are made through Korean trading firms against tenders called by the Korean Government's Office of Supply. Canadian products most likely to sell well in this market at the present time are fertilizers; wood pulp, lumber; copper and brass rods, sheets and tubes, and to a lesser extent, newsprint and steel. But Canadian firms wishing to secure orders in Korea must be prepared to face keen competition, act quickly, and exercise good business judgment. ●



—ICA Photo

An Indo-Chinese peasant cuts and binds the rice stalks.

Indo-China at Work

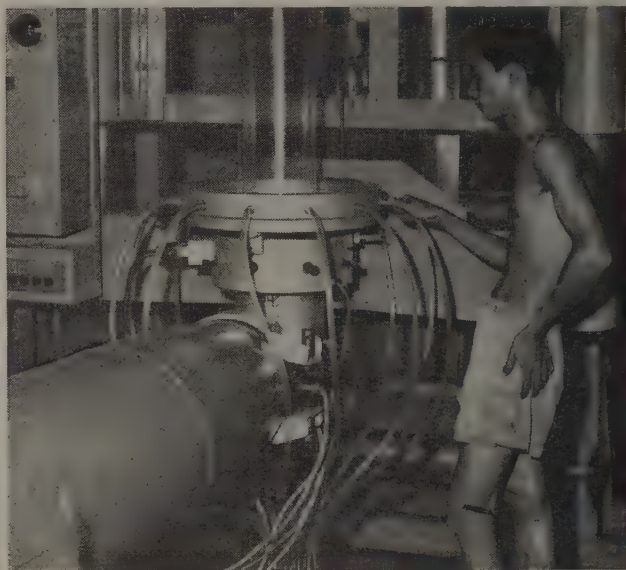
—ICA Photo

These villagers in central Vietnam threw up an earth dyke in ten hours—a voluntary co-operative effort that reclaimed some 1,000 hectares of arable, salt-damaged land from the sea.



—USOM Photo

In a jute factory, visitors examine the quality of the fibre.



—USOM Photo

Plastics are among the products now made in South Vietnam.

—USOM Photo

Scooters are coming off a rather rudimentary assembly line.



South Vietnam

Continuing U.S. aid to pay for imports make this a dollar market, where Canadians can sell raw materials, semi-finished products and industrial equipment—if they can meet U.S. and French competition.

W. M. MINER,
Assistant Trade Commissioner, Hong Kong.

SOUTH VIETNAM'S foreign trade, both import and export, declined last year. However, the economic recession that prevailed in 1957 seems to be disappearing, thanks in part to reduced imports last year. Signs that the depression is lifting are now appearing. Although business remains dull, inventories have been cut and new purchases seem to indicate a gradual revival of confidence in the market. The import emphasis has been diverted from non-essential goods to those needed in development projects. Some consolidation has taken place in firms active in foreign trade and many companies lacking experience and capital have gone out of business.

Foreign Aid Finances Imports

South Vietnam still receives substantial financial help from abroad and United States aid plays a dominant role. These resources finance approximately 75 per cent of the country's purchases abroad and this makes it, in fact, a substantial dollar market. The aid is furnished for imports under the purchase authorization system that permits importers to bring in merchandise against United States dollars. They pay for the goods in local currency and this money becomes available for expenditures in Vietnam; the exporter receives payment in dollars from ICA. Canadians can compete for orders for goods supplied under the ICA import program, with the exception of certain agricultural products which must come from the United States.

Production and Trade

South Vietnam's major exports are rubber and rice. Paddy production fell during the 1957/58 crop year but latest reports indicate that the new crop is considerably larger. The surplus available for export will exceed last year's rice sales of 110 thousand tons and may reach 250 thousand. Rubber sales remained fairly steady but other exports fell slightly.

South Vietnam now has some industries and the Government, with the help of overseas funds, is encouraging industrial growth. There are a number of food and beverage-processing plants and a variety of

cottage-type industries. Plans are being made to produce pulp, cement, glass, cotton, jute, aluminum housewares, rubber tires, ceramics, agricultural machinery and tools, pharmaceuticals, paper, processed tea and vegetable oils. Mineral production is confined to salt and coal.

Imports and exports declined last year from the very high level of 1957. In the first ten months of 1958, imports totalled 6,550.6 million piastres (35=US-\$1.00), a reduction of 1,796.6 million from the same period of 1957. Exports had reached 1,507.5 million piastres by the end of October. France maintained her position as the leading supplier, providing about 25 per cent of total imports, with transport equipment, textiles, pharmaceuticals, metals, machinery and electrical equipment, rubber manufactures and paper most in demand. The other main sources of imports during the year were the United States (24 per cent) and Japan (20 per cent). France ranks first as a buyer of Vietnamese exports, followed by Malaya and Indonesia.

Canada's exports to Vietnam were smaller in 1958 than in 1957. The following table shows the trade pattern in recent years. Statistics do not separate exports to the three countries of Vietnam, Cambodia and Laos, but Vietnam is by far the largest market.

PRINCIPAL EXPORTS FROM CANADA TO INDO-CHINESE STATES

	10 Months		
	1958	1957	1955
	(Canadian dollars)		
Newsprint paper	2,688	280,557	53,041
Steel plates, sheet and strip		113,157	
Gas engines and parts	33,864	115,491	66,431
Condensed, evaporated, and other milk forms		87,031	93,952
Passenger and freight automobiles, and parts	14,803	7,935	48,833
Pneumatic tires for autos, trucks and buses	3,279	4,966	1,202
Aircraft	56,181	195,912	221,177
Polystyrene	7,133	30,993	15,508
Other synthetic resins	3,300	14,198	10,078
Asbestos brake facings	1,523	28,624	6,330
Radio wireless apparatus	55,684	26,400	
Air compressors		21,138	
Farm tractors	2,500	12,425	
Floughs, discs and parts	12,620	1,715	8,500
Books, unbound		30,671	25
Files and rasps	11,175		
TOTAL	236,874	1,020,050	545,959

Source: Dominion Bureau of Statistics.

Approach to the Market

Most Canadian sales are financed in United States dollars under the ICA import program, but certain commodities such as processed milk, outboard motors and passenger cars are no longer being financed in

this way and, consequently, our sales of these have slumped.

The bulk of the business is done through agents who request permission to take up a share of ICA exchange allocations for imports of specific products from Canada. Obviously, the best approach is to appoint an exclusive representative. Rates of duty apply equally to imports from all countries. France enjoys some advantages because her products are well known and because Vietnam's French franc holdings and earnings are substantial. As a result of the recently introduced convertibility of the French franc, these funds are now freely convertible into dollars and they could therefore be used for paying for imports from Canada. It is felt, however, that the best prospects for Canadian traders exist in supplying items under the ICA program.

Outlook

It is apparent that substantial grants of U.S. aid will be made to Vietnam for some time to come. This dollar market can be expected to continue, therefore, and this should encourage Canadian exporters to seek or retain a share of it. ICA regulations give priority to purchases of development goods and this, combined with the Government's desire to industrialize the country, means that imports of non-essentials will lag. Machinery for the new industries, raw materials for processing, and semi-fabricated goods for finishing are likely to dominate the import picture. Under the stimulus of increased exports and greater funds for industrial development, opportunities to sell our products should improve. ●

Thailand

Prospects appear brighter, after serious economic difficulties in 1958, as Thailand encourages industrial development. Canadians should watch for opportunities in this small, competitive market.

M. P. CARSON, *Trade Commissioner, Singapore.*

BUSINESSMEN in Thailand have faced difficult conditions in recent months. Heavy inventories have meant a surplus of consumer goods on the market and the political scene has been disturbed. On October 20, 1958, martial law was proclaimed when Marshal Sarit, the Army Commander-in-Chief, returned from the United Kingdom to take over peacefully the Government that had been running the country since the elections of December 1957.

Budgetary deficits have created serious economic problems in Thailand during the last few years. Foreign exchange reserves reached a record in March 1958 but they fell in the second and third quarters of the year. This decline was caused by:

1. A fall-off in over-all trade.
2. Smaller production and exports of tin. (Exports in the first six months of 1958 were approximately 50 per cent below those for the same period in 1957.)
3. Smaller rice exports in the first six months of 1958 because of drought in the past crop season.
4. A drop in earnings from rubber exports (although shipments abroad were higher in volume in 1958 than in 1957) because of lower prices.

Inventories High

Little interest has been shown in stepping up foreign purchases for the time being. Government departments, long significant buyers of a wide variety of capital and consumer goods, have been affected by budget alterations and other difficulties. Inventories of trading firms have been building up, in many cases, to high levels. As a result, purchases from foreign suppliers have declined. Many end-users and retailers, short of current cash, are delaying payments and bankers are reported to be finding it difficult to collect outstanding debts.

Prospects for Rubber, Rice and Tin

But signs of brighter times are appearing. As one example, the rise in the price of tin in London from £730 to £735 a ton in the latter part of 1958 is encouraging to Thailand.

Rubber exports, a major source of government revenue, rose slightly in the first half of 1958, in spite of a general world decline in demand. However, the United States, which took about 90 per cent of Thailand's rubber exports in 1957, bought only about 60 per cent in the first half of 1958. The current improvement in the U.S. economy augurs well for the Thai rubber industry in 1959.

Rice exports in the first eleven months of 1958, at 1.03 million tons, were down about 28 per cent from the previous year. The outlook appears better now because the crop is expected to be larger than earlier estimates. Output for 1959 is estimated at seven million tons, of which 1.2 million should be available for export. The increase in world prices for rice will help Thailand because rice exports are its main source of foreign exchange. The Ministry of Economic Affairs recently announced that Mainland China has been giving Thailand serious competition in South East Asian rice markets.

Industrial Development Encouraged

A National Economic Committee has been set up; its members are leaders in commercial and government circles. It will take steps to reduce the increasing

cost of living and will also turn its attention to industrial development. In the economic planning field the committee is attempting to co-ordinate the objectives of various government ministries and thus obtain a more integrated economy and a diversification of crops both for domestic use and for export.

Measures to attract foreign capital, promising guarantees to investors in new industries, were announced in December.

The following are the principal measures outlined:

1. Guarantees against nationalization.
2. Exemption from duties for equipment and machinery.
3. Exemption from income tax on earnings for a period of two to five years.
4. By permission, the remittance abroad of capital and profits.
5. Protection of infant industries through import tariffs or quantitative restrictions.
6. Duty-free export of products manufactured.
7. Protection for a period against the establishment of competitive industries.

Foreign Loans to Thailand

Tenders were called for the Yanhee hydro-electric project during 1958 and the bid of a United States group was accepted. Tenders are to be issued shortly for international competition for a number of types of heavy machinery and equipment for this gigantic undertaking, which will have an ultimate capacity of 560 thousand kw. The first stage is scheduled for completion by 1963 and will include two 70,000 kw. generators, with transmission lines to Bangkok. It is being financed by a loan of US\$66 million from the International Bank for Reconstruction and Development, agreed to late in 1957.

A U.S. Development Loan Fund grant of US\$20 million will be used to improve Bangkok's electricity distribution system in preparation for greater power supplies from the Yanhee project. A second U.S. loan from the Export/Import Bank for US\$13.75 million is available to build a 75,000 kw. thermal power station for Bangkok to fill the gap until Yanhee power comes in.

How Did Canada Fare?

In the first eleven months of 1958, Canadian exports to Thailand were down to Can.\$1.12 million compared with Can.\$1.94 million in the same period of 1957, reflecting the general decline in Thailand's trade. Imports of Canadian wheat flour were down from Can.-\$748 thousand in the first eleven months of 1957 to Can.\$492 thousand in the same period last year. Asbestos, of which we sold some Can.\$200 thousand worth in 1957, was not purchased by Thailand asbestos cement producers in 1958. Newsprint, television receivers, and almost all other Canadian exports to Thailand also declined in value in 1958.

By the end of 1958, there had been no significant changes in Thailand's internal economy. Foreign exchange reserves showed a further slight decline. The limited convertibility of sterling and various other European currencies was generally welcomed as a measure that would facilitate trade and payments.

Thailand as a market continues to be more conscious of price than quality. Japan, Mainland China, Hong Kong and other low-cost producers increased their share of Thailand's imports in 1958. Japanese sales to Thailand last year were expected to reach a record, and the imbalance (about US\$60 million for the year) in Thai-Japanese trade was causing concern in Bangkok.

The foreign loans that Thailand receives offer an excellent opportunity for Canadian suppliers of heavy electrical equipment, turbines, generators, etc. World-wide offers in past tenders have indicated that competitive prices are necessary if business is to result. Information on all major tenders is available in the Department of Trade and Commerce in Ottawa.

In general imports, price is always a major factor. There are prospects for mining equipment and a number of Thai firms are ready to market competitive products in this field. Tin-mining enterprises will be renewing equipment and seeking spares and replacements when the world market for this metal improves. There is a demand for railroad equipment, rolling stock, etc., but once again, our exporters must expect keen competition from Japanese and European suppliers.

In spite of the problems outlined in this article, 1959 should bring marked improvement in Thailand's inventory position and in economic and trading conditions. More Canadian exporters might well consider entering this small but extremely competitive market.

Where Asia Gets Its Oil

Asia produced about 1.2 million barrels of crude oil a day throughout 1957, or about 7 per cent of total world production, according to a study made by the Economic Commission for Asia and the Far East. Well over half of this came from two countries alone—Iran, with about 724 thousand barrels a day, and Indonesia, with about 315 thousand. Other significant producers, in order of importance, were British Borneo, Mainland China, India, Burma, Japan and Pakistan. The greater part of this oil was actually used within Asia, where daily consumption of petroleum products averaged 1.1 million barrels, or about 6 per cent of world consumption. Total proved reserves are difficult to estimate but the study suggests a figure of 37 to 43 billion barrels, with about 80 per cent concentrated in Iran. Asian refineries turned out about 1.35 million barrels a day, with the great Abadan plant in Iran producing at least one-third, and 20 refineries in Japan another third.

Import and Exchange Regulations in the Far East

International Trade Relations Branch.

THE following is a summary of the import and foreign exchange control regulations currently in effect in Far Eastern countries.

BRITISH BORNEO

The Government of British Borneo issued an Open General Licence effective January 1, 1959, for the import of a number of goods from the dollar area. Principal items of interest to Canadian exporters include canned salmon, wheat flour, machinery, paper and paperboard, steel and aluminum products, fertilizers, soap and cleansing preparations, and synthetic plastic materials. Other goods are subject to individual licensing.

BURMA

Most imports from Canada are subject to individual import licence and licences are valid for six to twelve months from the date of issue. Imports are also subject to a licence fee of 5 per cent and the licence may be extended only in special circumstances on application before expiry. Imports are handled either by joint venture corporations or by registered private firms. Only importers registered with the Exchange Board may bring goods into Burma. When an importer possesses an import licence, he is automatically authorized to buy foreign exchange. Goods must be shipped before the licence expires.

On January 3, 1959, Burma relaxed import restrictions on a number of goods needed to maintain the stability of the economy. Some 26 categories of products may be imported without restrictions and without licence from any country and a few goods may be freely imported from any country except those in the dollar area.

CAMBODIA

Import and export control is administered by the Director of Foreign Trade. All imports require licences and goods should not be forwarded unless an import licence has been issued. These are valid for six months and goods must be shipped before the expiration date. Pro forma invoices are necessary to obtain licences. Imports are usually paid for by letters of

credit. Most current shipments are financed under United States International Co-operation Administration arrangements.

HONG KONG

Goods may be imported into Hong Kong without import licence with the exception of dutiable, dangerous and undesirable, restricted and strategic goods.

All foreign exchange transactions in currencies other than sterling and currencies linked with sterling are restricted. Official exchange must be purchased from an authorized bank. However, there is an extensive free market for trading in dollars at higher rates and most imports from the dollar area are paid for with dollars bought on that market.

INDONESIA

Imports into Indonesia are under strict control and may be made only by officially recognized importers. All imports are placed in six categories, ranging from highly essential to luxuries. They are subject to a surcharge ranging from 0 per cent to 175 per cent, depending upon the essentiality of the goods. An importer seeking an import licence must produce a certificate for a value equal to the cost and freight of his imports. These foreign exchange certificates are valid for six weeks and may be traded or sold by an exporter to an importer. Trading must be done through the Foreign Exchange Bank. The importer, in addition to paying for his certificate, must make a guarantee deposit of 133½ per cent of the c. and f. value at the parity rate of exchange. When the licence is issued, the deposit is refunded. Payment to the foreign supplier may only be made after the foreign exchange bank has received documents indicating shipment to Indonesia. Shipment of imported goods before a definite licence is issued is not allowed. Letter-of-credit financing is recommended.

JAPAN

Most imports are subject to an import licence, generally issued by one of the authorized foreign exchange banks. The licence assures the importer that he may buy with yen the foreign exchange needed to make the approved import. The issue of the import licence is generally subject to an advance cash deposit of from 5 to 35 per cent, depending upon the essentiality

of the goods. Import licences are usually valid for six months from the date of issue and the goods must be cleared through Customs within that time. The validity of the licence, however, may be extended under certain circumstances. Foreign exchange budgets are announced semi-annually for the periods April to September and October to March and at the same time, within the limits of the available foreign exchange, the import program is announced for the current import period. Most imports are financed with letters of credit.

LAOS

On October 9, 1958, all commercial imports and exports of merchandise were freed from control and all formalities required for financial transfers suspended. The National Bank and all commercial banks, as well as approved financial institutions, may buy and sell freely all kinds of foreign exchange. Letter-of-credit financing is preferred. Most imports into Laos at the present time are financed under ICA.

MACAO

In principle, the import regulations of Macao follow those in force in continental Portugal. In accordance with regulations issued by the Portuguese Government, the authorities in Macao are charged with issuing licences for the import and transit of goods and these import licences are granted on the basis of essentiality of the goods. The movement of exchange is controlled by the authorities in Macao and payment for imports is subject to exchange availability.

MAINLAND CHINA

In Mainland China the Government has established sixteen National Import and Export Corporations. Import and export commodities are allocated among the various corporations. Licences are required for imports but these are issued automatically for all orders placed by the corporations, which generally are the import and export agents for the private traders or end-users. Exporters may carry on business with the private traders or end-users but import permits covering such transactions must be obtained through the corporations.

PHILIPPINES

No import permits are required, but there is a strict system of exchange control. The licensing of exchange for imports is in the hands of the Philippine Central Bank. All applications for the opening of letters of credit are considered as applications for licences to purchase foreign exchange to pay for imports. The maximum period for the validity of a letter of credit, including extensions, is limited to six months after date of issue. However, letters of credit covering agricultural, industrial and mining machinery and related parts may be extended beyond six months, but not more than one year. No imports may be

released by the Bureau of Customs without the presentation of a release certificate issued by the Central Bank or an authorized agent bank.

SINGAPORE AND FEDERATION OF MALAYA

Singapore and the Federation of Malaya have issued licences freely for a wide range of goods from the dollar area. Among the goods of interest to Canadian exporters are fresh apples, asphalt and bitumen, flashlight batteries, bulbs and cases, household brooms and brushes, canned fish, wheat flour, sweetened condensed milk, rolled oats, hand tools, pressure lamps and out-board motors.

On January 1, 1958, import restrictions on an additional list of goods were relaxed. Included among the goods that may now be imported freely are trucks, machinery, paint products, medicinal preparations, steel products, plastic products, and cotton and synthetic clothing. Other goods are subject to individual licensing.

SOUTH KOREA

Control of exchange and imports is exercised by the Bank of Korea. Import commodities are divided into two categories. One group includes certain consumer goods, essential raw materials and industrial raw materials that may be imported with foreign exchange obtained from the Bank of Korea at government foreign exchange sales and from export earnings. These items may be imported within certain limits without import licence. The other group consists of less essential products that may be imported only with foreign exchange proceeds from exports and these imports require import licences in every case. Most imports are financed under letters of credit.

SOUTH VIETNAM

All imports require a prior licence which usually stipulates that payment must be made against documents. The validity period of the import licence varies according to the time for delivery of the commodities and extensions may be obtained in exceptional cases. Goods should be shipped within the delivery period because shipments not covered by an import licence are subject to severe penalties and must be returned to the shipper if the licence is not obtainable. The licence serves as the necessary authority to purchase the required foreign exchange. The licensing authorities generally require that shipments be financed under letters of credit. Payment in advance of shipment is not allowed unless it is specially sanctioned by the authorities. Pro forma invoices are required to support applications for licences.

TAIWAN

All imports are subject to licences issued by the foreign exchange control authorities, and the obtaining

of a licence carries with it the permission to purchase the necessary foreign exchange. Import licences are valid for six months to one year. Merchandise arriving in the country and not covered by an import licence is subject to confiscation. Import licences are granted within the framework of periodic commodity budgets. Unless otherwise provided for in the foreign exchange allocation, only registered import firms may apply for foreign exchange to pay for imports. Letter-of-credit financing is preferred.

THAILAND

Imports are classified as either essential or non-essential. Imports of essential goods are permitted

without an import licence. Strictly non-essential goods, which cannot be imported except under special circumstances, as well as other non-essentials, are subject to import licence, valid usually for three months. Exporters should ascertain that an import licence has been granted and foreign exchange made available before making shipment. Most exports are financed under letters of credit. An importer in Thailand must file an application for an import licence with the Bank of Thailand or its authorized agent. This application must be supported by two pro forma invoices. A certificate of payment issued by the authorized agent is also required by the Thailand Customs.

Trade Commissioners on Tour

The following officer of the Trade Commissioner Service is on tour in Canada. His itinerary is:

N. W. BOYD, formerly Assistant Commercial Secretary in Berne, Switzerland:

Ottawa—April 11-19

Winnipeg—June 29-
July 11

Regina—July 13-14

Saskatoon—July 16

Vancouver—July 20-
August 7

When he completes his tour Mr. Boyd will be posted to Tokyo, Japan, as Assistant Commercial Secretary.

Businessmen who wish to see this officer should get in touch with the Board of Trade or Chamber of Commerce in the cities mentioned, with the following exceptions. In Toronto, Winnipeg and Edmonton, the Trade Commissioners make their headquarters at the offices of the Canadian Manufacturers Association; in Windsor, Ontario, at the offices of the Greater Windsor Industrial Commission; in St. John's, Ottawa and Vancouver, at the Department of Trade and Commerce; in Victoria, at the Department of Trade and Industry, and in Fredericton at the Department of Industry and Development.

Tours of Territory

S. V. ALLEN, Deputy Consul General (Commercial) in New York, will visit Bermuda from March 1-20.

R. C. ANDERSON, Vice Consul and Assistant Trade Commissioner in São Paulo, Brazil, will visit Curitiba in the State of Parana, Joinville and Blumenau in Santa Catarina, and Porto Alegre in Rio Grande do Sul from March 8-21.

N. L. CURRIE, Assistant Commercial Secretary in Bogota, Colombia, will visit Guayaquil and Quito in Ecuador, March 8 and March 11.

P. V. McLANE, Commercial Counsellor in Athens, Greece, will visit Israel from March 14-27.

H. L. E. PRIESTMAN, Consul General and Trade Commissioner in Manila, Philippines, will visit Taiwan from March 9-16.

H. W. RICHARDSON, Trade Commissioner in Guatemala City, Guatemala, will visit Honduras, Nicaragua and El Salvador from March 9-21.

C. O. R. ROUSSEAU, Commercial Secretary in Beirut, Lebanon, will visit Bahrain March 2-4, Kuwait March 5-7, and Baghdad, Iraq, March 8-12.

R. K. THOMSON, Commercial Secretary in Vienna, Austria, will visit Prague, Czechoslovakia, from March 10-13, and Sofia, Bulgaria, and Bucharest, Romania, from April 12-19.

Miss V. F. WIGHTMAN, Agricultural Attaché, office of the Commercial Counsellor in Paris, will visit Algiers from March 1-10.

Businessmen who would like these officers to undertake assignments should get in touch with them at their posts as soon as possible. Write to Mr. Allen at New York, Mr. Anderson at São Paulo, Mr. Evans at Liverpool, Mr. McLane at Athens, Mr. Priestman at Manila, Mr. Richardson at Guatemala City, Mr. Rousseau at Beirut, Mr. Thomson at Vienna, and Miss Wightman at Paris.



Aircraft

UNITED KINGDOM—The aircraft industry of the United Kingdom achieved a new record for exports in 1958, 33 per cent above the previous peak in 1957. Exports of all products of the industry during 1958 were valued at £154.1 million, compared with £116.5 million in 1957, and accounted for nearly 5 per cent of all exports from the United Kingdom during the year. Since the war the industry has sold over £787 million worth of its products abroad.

Sales abroad of aircraft and parts, at £98.5 million in 1958, increased by 37 per cent over the previous record of £71.7 million in 1957; exports of aero engines, at nearly £49.6 million, rose 22 per cent over the previous high of £40.7 million in 1957—London.

Aluminum

NORWAY—Norway's largest aluminum producer, the state-owned A/S Aardal og Sunndal Verk, reports output of primary aluminum reached a record 71,000 tons in 1958, 5,000 tons above the previous year. Total value of production, including the 36,000 tons of pig iron produced, reached approximately Kr.270 million and net earnings of foreign currency Kr.60 million. All the 1958 output has been sold, but at somewhat lower prices than in 1957—Oslo.

Automobiles

WEST GERMANY—The Federal Republic's automobile industry produced a record 1,495 thousand vehicles in 1958, 23.3 per cent more than in 1957. Exports rose by 25.5 per cent to 733 thousand units. This places Germany at the top of the list of the world's automobile-exporting nations and second among world producers, after the U.S.—Bonn.

Cement

BRAZIL—Import duties on Portland cement have been lowered from 100 per cent to 10 per cent for an unspecified period by Brazil's Customs Policy Council. Customs officials explain that the decision to lower duties was taken to permit continuation of public works threatened by the shortage of local cement.

In 1957 imports of cement totalled less than 3,000 tons. Domestic production of all types in 1957 totalled

Commodity Notes

3.35 million tons, most of which was consumed domestically. From January to September 1958 production reached 2.79 million tons, and consumption 2.81 million tons—Rio de Janeiro.

Coal

NEW ZEALAND—A 3,000-ton shipment of South Island coal which left New Zealand on December 29 may be the start of a regular coal trade with Japan. The coal is to be discharged at Kawasaki, Tokyo Bay, and will be tested immediately in the furnaces of the Asahi Bussan Company. Two more Japanese coal ships are expected to arrive in New Zealand early in 1959—Wellington.

Crayfish

NEW ZEALAND—A Suva press report states that a United States company plans to establish a commercial crayfish industry in Fiji. It is reportedly prepared to invest capital in this venture with a view to supplying processed crayfish to the United States. It is estimated that the market there is worth more than £1 million a year—Wellington.

Footwear

AUSTRALIA—A New South Wales firm which has developed an export market in some 40 countries for plastic footwear has recently received a \$2 million order from North America. The footwear, moulded from polyvinyl chloride, has the advantages of high resistance to alkalis, acids, water, friction and flexing, and provides insulation against heat and cold—Sydney.

Pipeline

ISRAEL—Israel's first oil-products pipeline, built at a cost of \$4.5 million, went into operation at the end of 1958. The six-inch pipeline runs from Haifa to Tel Aviv and carries gasoline, fuel oil and kerosene to central and southern Israel. It has a capacity of 570 thousand tons a year.

Plans are now afoot for building a 16-inch pipeline parallel to the present eight-inch one that carries crude between the Gulf of Aqaba and Beersheba. Full use of

the Haifa refineries (a total capacity of well over four million tons a year) would be possible on completion of this scheme—Athens.

Plywood

NEW ZEALAND—Output of the plywood and veneer industry in 1957-58 increased 1 per cent over the previous record in 1956-57. Plywood production climbed to 38.8 million sq. ft. ($\frac{3}{16}$ " basis) and veneer output rose to 58.8 million sq. ft. ($\frac{1}{16}$ " basis). Despite a four-year plywood production increase of 26.7 per cent, imports have remained at some four million sq. ft., with Canada supplying one million sq. ft. in 1957—Wellington.

Rubber

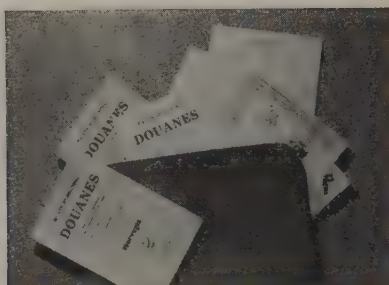
CEYLON—Russia is now buying small quantities of rubber direct from Ceylon; some 4,000 tons have been shipped to Russian ports by two local firms. It is also reported that Russia purchases large quantities of rubber from Singapore (50,000 tons during 1958). Although purchases from Ceylon are negligible, trade circles welcome the opening of this avenue because Russia formerly bought all her rubber through buyers

in centres such as London and New York. It is stated that the Russian buyers are paying a slightly higher price for Ceylon rubber than that quoted in the London market—Colombo.

Television Sets

PERU—The first commercial television broadcasting station in Peru began regular transmission last December, with a daily program schedule of six hours. By the year's end 5,000 television sets had been sold in Peru—Lima.

AUSTRALIA—More than half-a-million television receivers have been made in Australia since local manufacture began two years ago. About 20 factories are currently producing receivers, and a similar number are making components. Output has jumped from 129 thousand sets in 1956/57 to 285 thousand in 1957/58, and 115 thousand sets have been turned out in the first three months of the fiscal year 1958/59. Program coverage extends to an estimated four million viewers and with new transmitters scheduled to go into operation in Brisbane, Adelaide, Perth and Hobart should reach a further two million—Sydney.



Guatemala

NEW CUSTOMS LAW AND TARIFF—Effective January 15, 1959, an entirely new Customs Law and schedule of tariff rates was introduced by the Guatemalan Government under Decree No. 1,269. The new tariff structure covers both specific and ad valorem duties applicable to most goods. Although the former tariff consisted generally of specific duties there were also numerous additional import charges which have now been abolished. The nomenclature of the new tariff follows the uniform Central American Nomenclature already adopted by other Central American countries, except El Salvador.

The rates of duty under the former tariff apply to goods shipped prior to December 20, 1958, and to goods entered in the Guatemalan Customs by January 15, 1959.

Trade and Tariff Regulations

Details of the new Customs Law and rates of duty are available from the International Trade Relations Branch.

Jamaica

SCHEME FOR DOLLAR MOTOR VEHICLE IMPORTS, 1959—The Jamaican Trade Board has announced that a limited amount of dollars will be released during the calendar year 1959 for the purchase of private motor cars and light commercial vehicles originating in the dollar area.

Applicants for licences to import such vehicles must show that they are engaged in work that is important to the community and entails constant and extensive travel over difficult roads. Priority consideration will be given to requirements for public transport, industry, agriculture and other essential services.

An authorized purchaser may buy any make of motor vehicle required either by direct import or through a local dealer in motor vehicles.

Mauritius

DOLLAR IMPORTS RELAXED—The Ministry of Finance, Mauritius, has announced that, effective January 1, 1959, Open General Licences will be issued for various categories of goods from the dollar area.

Among the goods which may be imported freely are specified types of food products, crude materials, mineral fuels, lubricants and related materials, chemicals, machinery and transport equipment, and manufactured goods.

Information concerning particular commodities in the list of liberalized imports may be obtained from the International Trade Relations Branch of the Department.

South Africa

PROHIBITION OF USED POUNDS, SHILLINGS AND PENCE MACHINERY—In announcing the proposed change-over from the present pounds, shillings and pence system to a decimal coinage system, the Government of South Africa also announced that the import of accounting machines would be strictly controlled.

One of the problems arising out of the change-over is the method of compensating business firms for the cost of either adjusting old accounting machines to the new system or purchasing new ones. To prevent persons from importing used pounds, shillings and pence machines and then making claims to the Government for the cost of converting them to the new decimal system, imports of such used machines have been prohibited. The import ban will remain in effect until the question of compensation has been settled.

TEMPORARY SPECIAL DUTY ON HOUSEHOLD REFRIGERATORS—The South African Government has announced the imposition of a temporary special duty on the following goods:

Tariff Item	Temporary Special Duty
139 Household refrigerators of a storage capacity of from four to 12 cubic feet, and parts for all household refrigerators (excluding complete refrigeration units of the absorption type and parts thereof, and cabinets, with or without fittings, of a storage capacity of less than four or more than 12 cubic feet).	15 per cent ad valorem

The temporary special duty which became effective on January 16, 1959, will remain in force until July 20, 1960.

FEBRUARY 28, 1959

United States

TARIFF COMMISSION INVESTIGATION OF HARDWOOD PLYWOOD—The United States Tariff Commission has instituted an investigation under section 7 (the escape clause) of the Trade Agreements Extension Act of 1951, as amended, to determine whether hardwood plywood is, as a result of customs treatment reflecting a tariff concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industry producing like or directly competitive products.

A public hearing in this investigation will begin at 10 a.m. on April 14, 1959, in the Hearing Room of the Tariff Commission Building at 8th and E Streets N.W., Washington, D.C. Those who wish to attend the hearing should write to the Secretary of the Tariff Commission at least three days in advance of the date set.

Canadian exports of hardwood plywood to the United States are mostly made up of birch plywood which is dutiable at 15 per cent ad valorem under U.S. tariff paragraph 405.

TARIFF COMMISSION INVESTIGATION OF AXES AND AXE HEADS—The United States Tariff Commission has instituted an investigation under section 7 (the escape clause) of the Trade Agreements Extension Act of 1951, as amended, to determine whether axes and axe heads are, as a result of customs treatment reflecting a tariff concession, being imported into the United States in such increased quantities, either actual or relative, as to cause or threaten serious injury to the domestic industries producing like or directly competitive products.

A public hearing in this investigation will begin at 10 a.m. E.S.T. on March 10, 1959, in the Hearing Room of the Tariff Commission at 8th and E Streets N.W., Washington, D.C. Interested parties desiring to appear and to be heard at the hearing should notify the Secretary of the Tariff Commission in writing at least three days in advance of the date set for the hearing.

Axes and axe heads are currently dutiable under tariff paragraph 396 at 22½ per cent ad valorem.

Index to Foreign Trade

The index to Volume 110 of "Foreign Trade", covering the issues from July 1, 1958, to December 20, 1958, has now been printed. Readers who wish to have copies should write to the Editor. Copies of the index for Volume 109, January to June 1958, are also available on request.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollar equivalent and units of foreign currency per Canadian dollar have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which the banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are *not* included in the table.

For conversion to United States dollar equivalent multiply by 1.0200829.

foreign exchange rates

Country	Unit	Type of Exchange	Can. dollar equivalent February 16	Units per Canadian dollar	Notes (see below)
Argentina	Peso	Free .....	.01497	66.80	(1)
Austria	Schilling .....	.....	.03770	26.52	
Australia	Pound .....	.....	2.2020	.4541	
Bahamas	Pound .....	.....	2.7525	.3633	
Belgium, Belgian Empire and Luxembourg ...	Franc .....	.....	.01962	50.97	
Bermuda	Pound .....	.....	2.7525	.3633	
Bolivia	Boliviano ...	Free .....	.00008580	1165.50	
British Guiana	Dollar .....	.....	.5734	1.74	
British Honduras ..	Dollar .....	.....	.6881	1.45	
Brazil	Cruzeiro ...	General Category* .....	.003817	261.98	*Jan. 27 (2)
		Special Category* .....	.002650	377.25	
		Official buying .....	.05208	19.20	(3)
Burma	Kyat .....	.....	.2059	4.86	
Ceylon	Rupee .....	.....	.2064	4.84	
Chile	Peso	Free .....	.0009319	1073.77	(4)
Colombia	Peso	Certificate .....	.1532	6.53	
Costa Rica	Colon	Official .....	.1746	5.73	
		Controlled free .....	.1477	6.77	
Cuba	Peso .....	.....	.9803	1.02009	tax 2%
Czechoslovakia	Koruna .....	.....	.1361	7.35	
Denmark	Krone .....	.....	.1421	7.04	
Dominican Republic	Peso .....	.....	.9803	1.02009	
Ecuador	Sucre	Official .....	.06536	15.30	
		Free .....	.05884	16.99	
Egyptian Region, United Arab Rep.	Pound	Official	2.8150	.3552	
	"	Export account selling ..	2.0600	.4854	
El Salvador	Colon .....	.....	.3921	2.55	
Fiji	Pound .....	.....	2.4749	.4033	
Finland	Markka .....	.....	.003063	326.48	
France, Monaco and North Africa	Franc .....	.....	.001999	500.25	(5)
French colonies	Franc .....	.....	.003998	250.13	(6)
French Pacific ...	Franc .....	.....	.01099	90.99	(7)
Germany	D Mark .....	.....	.2345	4.26	
Ghana	Pound .....	.....	2.7525	.3633	
Greece	Drachma .....	.....	.03267	30.61	
Guatemala	Quetzal .....	.....	.9803	1.02009	
Haiti	Gourde .....	.....	.1961	5.10	
Honduras	Lempira .....	.....	.4902	2.04	
Hong Kong	Dollar	Free* .....	.1704	5.87	*Feb. 5
		Official .....	.1720	5.81	
Iceland	Krona	Official .....	.06019	16.61	(8)
India	Rupee .....	.....	.2064	4.84	
Indonesia	Rupiah	Effective buying .....	.03227	30.99	*Feb. 3
		Effective selling .....	.02590	38.61	
Iran	Rial	Certificate .....	.01294	77.27	

*Latest available quotation date.

Country	Unit	Type of Exchange	Can. dollar equivalent February 16	Units per Canadian dollar	Notes (see below)
Iraq	Dinar .....	.....	2.7449	.3643	
Ireland	Pound .....	.....	2.7525	.3633	
Israel	Pound .....	.....	.5446	1.84	
Italy	Lira .....	.....	.001579	633.31	
Japan	Yen .....	.....	.002723	367.24	
Lebanon	Pound	Free .....	.3112	3.21	
Mexico	Peso .....	.....	.07843	12.75	
Netherlands	Florin .....	.....	.2597	3.85	
Netherlands Antilles	Florin .....	.....	.5233	1.91	
New Zealand	Pound .....	.....	2.7525	.3633	
Nicaragua	Cordoba	Effective buying .....	.1485	6.73	
		Official selling .....	.1391	7.19	
Norway	Krone .....	.....	.1374	7.28	
Pakistan	Rupee .....	.....	.2064	4.84	
Panama	Balboa .....	.....	.9803	1.02009	
Paraguay	Guarani	Official .....	.008308	120.36	
Peru	Sol	Certificate .....	.03844	26.01	
Philippines	Peso .....	.....	.4902	2.04	
Portugal & Colonies	Escudo .....	.....	.03421	29.23	(9)
Singapore and Malaya	Straits dollar	.....	.3211	3.11	
Spain and Dependencies	Peseta	Controlled free .....	.0223	44.84	(8)
Sweden	Krona .....	.....	.1895	5.28	
Switzerland	Franc .....	.....	.2274	4.40	
Syrian Region, United Arab Rep.	Pound	Free .....	.2740	3.65	
Thailand	Baht	Free .....	.04682	21.36	(8)
Turkey	Lira .....	.....	.1089	9.18	
Union of South Africa	Pound .....	.....	2.7525	.3633	
United Kingdom ..	Pound .....	.....	2.7525	.3633	
United States	Dollar .....	.....	.9803125	1.0200829	
Uruguay	Peso	Free .....	.1054	9.49	
		Basic buying .....	.6452	1.55	(8)
		Principal selling .....	.4673	2.14	
Venezuela	Bolivar .....	.....	.2926	3.42	
West Indies Fed. ..	Dollar .....	.....	.5734	1.74	(10)
	Pound .....	.....	2.7525	.3633	(11)
Yugoslavia	Dinar .....	.....	.003267	306.09	(8)

*Latest available quotation date.

notes

1. Argentina: Effective Jan. 1, 1959, a single fluctuating exchange rate was introduced. Exports are subject to retention taxes of either 10 or 20 per cent ad valorem under this system.
2. Brazil: exporters receive cruzeiros at official rate plus exchange premiums ranging from 18.70 to 48.64 cruzeiros per U.S. dollar, depending on product.
3. For imports of wheat, newsprint and petroleum, the effective rate of exchange is the official selling rate plus a surcharge of 61.18 cruzeiros..
4. Chile: free rate applies to exports and to imports, except prohibited imports. Chilean importers must deposit local currency in amounts ranging from 5 to 5,000 per cent, depending on product, prior to shipment of goods.
5. France: territory includes Algeria, Tunisia, Morocco, Guiana, Guadeloupe, Martinique.
6. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
7. New Caledonia, New Hebrides, Oceania.
8. Additional rates are in effect.
9. Portugal: approximately same rate for Portuguese territories in Africa.
10. Barbados, Trinidad, Tobago, Leeward and Windward Islands.
11. Jamaica.



Transportation Notes

Australia

BETTER TOURIST TRANSPORTATION—The P. & O. and the Orient shipping group will spend more than £25 million on shipping services in the next three years to promote Australia's tourist trade. The general manager of the P. & O. Line said it would not be hard to double Australia's income from North American tourists within that time. The Orient Pacific Service is expanding, the new P. & O. liner, *Canberra*, and the Orient Line's *Oriana* are to begin operations in 1961, and another U.S.-Australian service is planned via Japan, Hong Kong and Manila—Melbourne.

Egypt

RECORD CANAL TRAFFIC—An all-time record number of ships are being shuttled efficiently through the Suez Canal. Gross revenue between July 1957 and June 1958 totalled £40 million, some £10 million higher than earnings before 1956. Since the nationalization of the canal 28,949 ships have passed through without serious incident. During October 1958, a record 1,605 ships totalling 12.8 million tons used the waterway compared with 1,255 totalling 10.2 million tons in the corresponding month of 1955.

With the new equipment and dredgers bought by the Suez Canal Authority, the canal has been deepened to 35 feet compared with 28 feet in 1957, allowing the passage of ships of 30,000 tons. After the present development program has been completed by three American companies, ships of 46,000 tons and 37-foot draft will be able to pass through—Cairo.

Guatemala, Honduras

NEW SHIPPING LINE—The Guatemalan Government has announced the formation of a small ocean-shipping company, to be organized and financed by the Governments of Guatemala and Honduras. The line's first motor vessel arrived early in January at the new Guatemalan port of Santo Tomas, on the Caribbean Sea. Built in Rostock, East Germany, the ship has been named the *Quezaltenango*. A second vessel, the *Lempira*, is nearing completion at Rostock. Each ship is about 2,500 gross tons.

The new merchant fleet is the result of an agreement signed by the Presidents of Guatemala and Honduras at a conference in October 1958—Guatemala City.

Indonesia

TO IMPROVE SHIPPING SERVICE—The Ministry of Shipping has drawn up a five year plan to develop shipping and improve sea communications, disrupted by the withdrawal of Dutch K.P.M. vessels early in 1958. According to the plan, Indonesia needs 220 passenger and merchant vessels of 230 to 10,000 tons, 19 drydocks with a capacity of 1,000 to 10,000 tons d.w., dredgers, and other technical equipment. A total outlay of US\$226 million will be required.

The first priority under the plan is merchant shipping because Indonesia has only three oceangoing vessels. For inter-island service, 156 ships will be needed: 50 between 230 and 700 tons, 100 between 1,000 and 4,000 tons, and 6 of 10,000 tons each. If bought new, they would cost over Rs.4 billion. The plan is to be implemented in three stages—the first by chartering vessels, the second by buying secondhand ones, and the third by ordering new ships adapted to Indonesian conditions. The French engineering firm Citra is making good progress with construction of a third port basin at Tandjong Priok, the harbour serving Djakarta. It should be finished at the beginning of 1960—Djakarta.

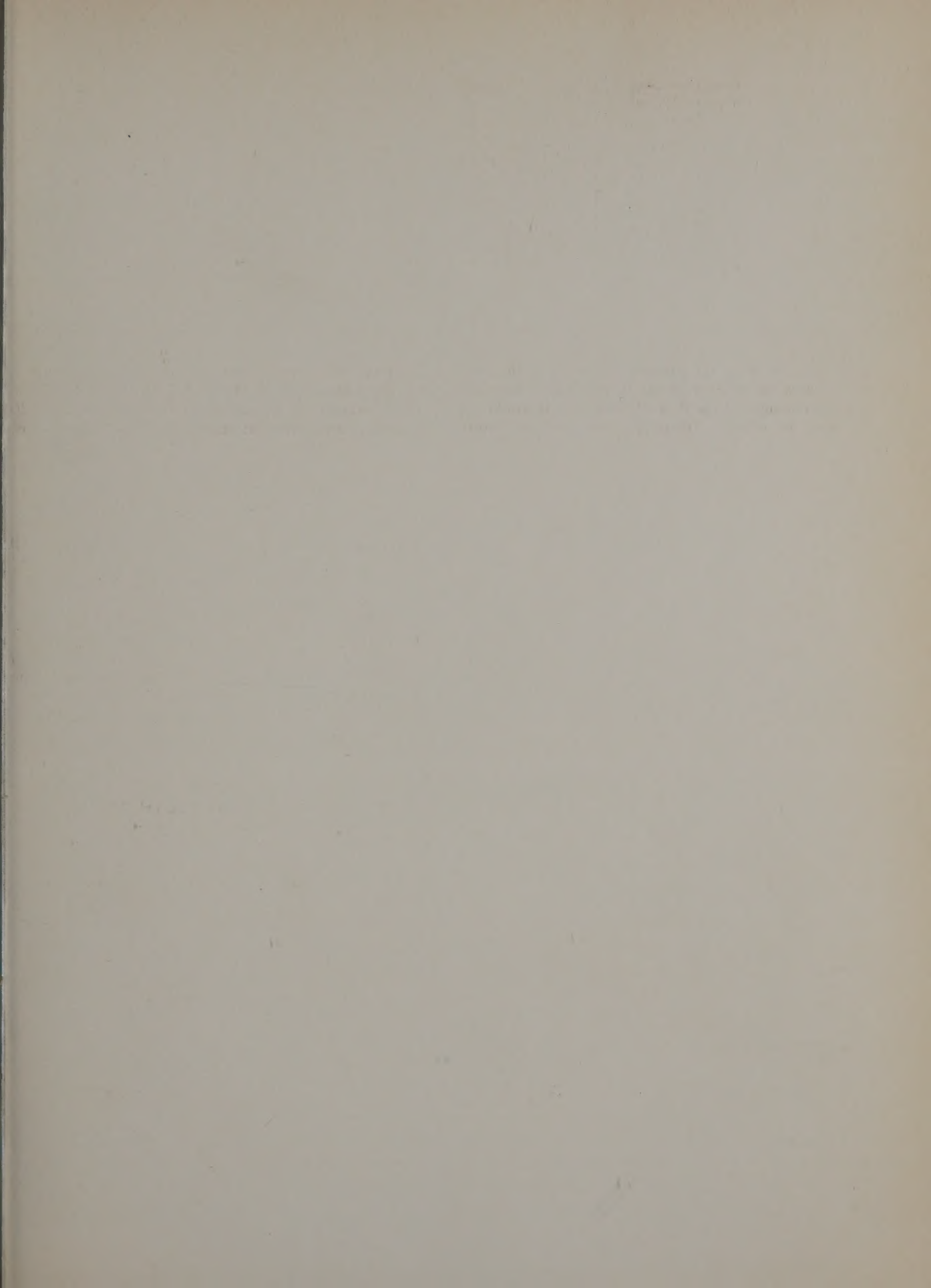
New Zealand

SHIPPING SERVICES TO SOUTH AMERICA—A new direct shipping service from New Zealand to South America was inaugurated last December. It will be run by the New Zealand conference lines every two months. The first shipment of about 500 tons consisted of butter, tinned and patted; butter oil, and skim milk powder.

The new shipping arrangements are of great advantage to the New Zealand Dairy Products Marketing Commission which has found it difficult to build up trade in dairy products with South America because of the lack of direct connections—Wellington.

Pakistan

WATERWAY IMPROVEMENTS—East Pakistan depends mainly on her river system for transportation and the Five Year Plan provides for expenditures totalling \$16 million for dredging and port improvements. The Central Government has also authorized the purchase of new and used ships to be put into service between the two sections of the divided country—Karachi.



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